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June 11, 2020

EMBASSY OF BRAZIL

16th Floor, Liberty Center,
104 H.V. de la Costa Street, Salcedo Village
Makati City, Philippines

Attention: H.E. Rodrigo do Amaral Souza
Ambassador

Your Excellency:

We are pleased to submit the Market Research Report on Soybean Oil-cake and Other Solid Residues that we prepared for the Embassy of Brazil in Manila. The report incorporates the comments and additions to the draft submitted on April 16, 2020.

The information and data presented were gathered through research and interviews with representatives of relevant agencies and associations. Our report was prepared following the COVID-19 pandemic announcement by the World Health Organization on March 11, 2020. There may have been changes in the Philippine economic and business conditions brought about by the pandemic which may affect the forecasts and estimates provided in the report. Reyes Tacandong & Co. (RT&Co.) assumes no responsibility for updating or revising this report based on circumstances, developments or events occurring after this date.

We understand that the results of the market research will be shared with appropriate agencies of the Government of Brazil as well as private sector entities for the purpose of generating interest in doing business in the Philippines. It is not to be used for any other purpose or to be distributed to any other party.

We would like to thank the Embassy of Brazil in Manila for the opportunity to be of service.

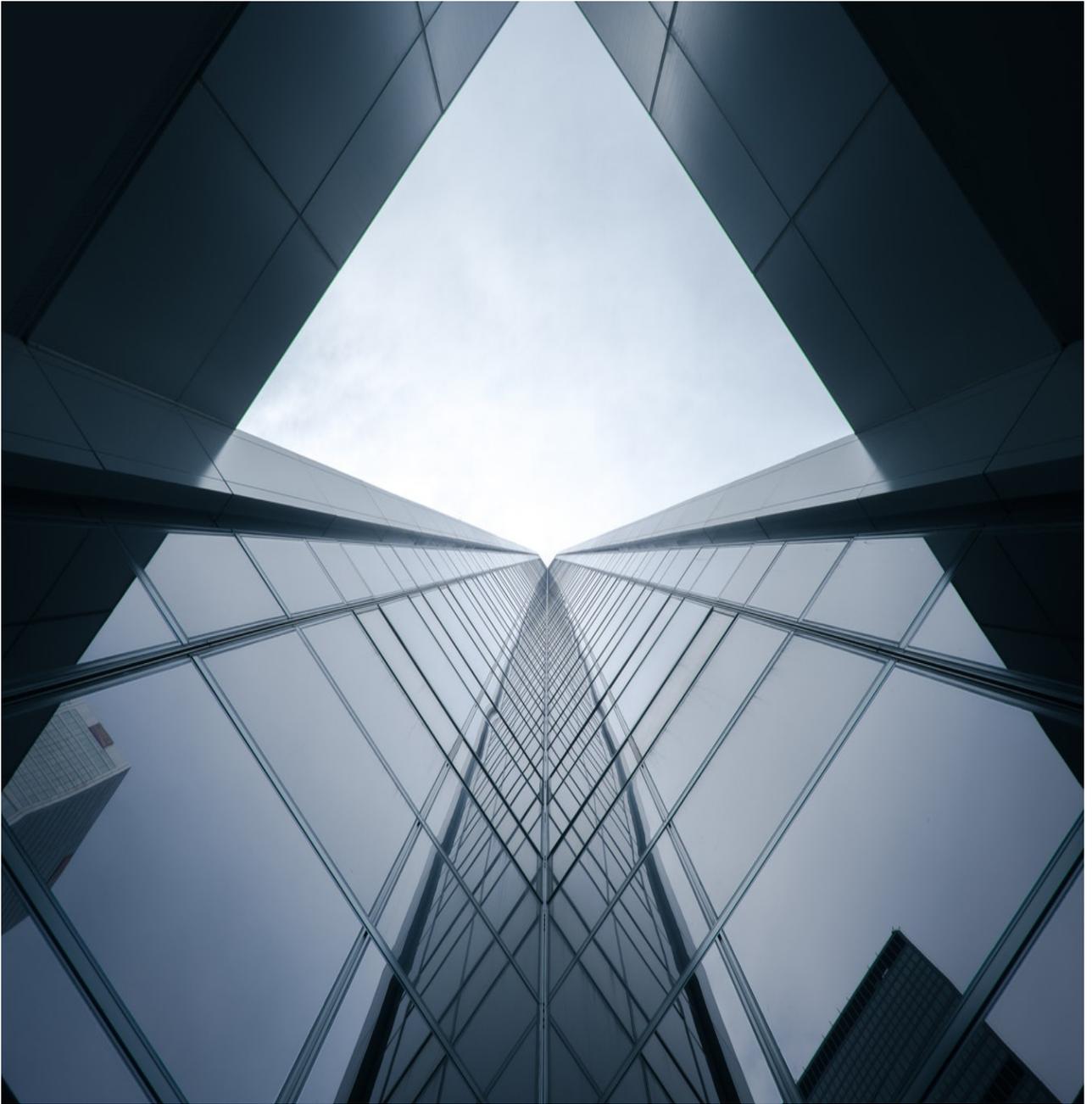
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Soybean Oil-cake and Other Solid Residues Market Research Report

Disclaimer

This Report was prepared after the COVID-19 pandemic announcement by the World Health Organization on March 11, 2020. Statistics and other data shown in this Report were based on the latest available relevant research materials obtained and analyzed before the pandemic and the interviews conducted during that same period. The impact of the pandemic on the Philippine economy has not been considered in the forecasts and estimates provided in the Report.

In converting Philippine Peso to US Dollar, the Bangko Sentral ng Pilipinas average annual exchange rate corresponding to the particular year of the data presented was used.

EXECUTIVE SUMMARY

The Southeast Asian region is expected to become the world's fastest-growing importer of soybean oil-cake, a principal ingredient in animal feed production, in the next decade. The total imports of soybean oil-cake in this region have tripled since 2000 and are projected to represent about one-third of the global soybean oil-cake import by 2028.

The Philippines is one of the most dynamic countries in the Southeast Asian region, with economic growth expected to remain strong in the years ahead.

The Philippine population reached 106.60 million in 2018. It has grown in a compounded annual growth rate (CAGR) of 1.69 percent during the period 2011 to 2018, to a projected 109.58 million in 2020.

The country's per capita Gross National Income (GNI) rose to USD 3,660 in 2018, from around USD 2,740 in 2011. As incomes of the Filipinos rise, food consumption also increases. The per capita expenditure on food was USD 882.60 in 2015; in 2018 it went up to USD 952.30. In particular, meat consumption rises due to the shift in preference from staples to more diversified products such as meat and other high-value agriculture products. The United Nations' Food and Agriculture Organization forecasted that meat consumption in the Philippines would expand by 2.3 percent annually, from 4.03 million metric tons (MT) in 2019 to 5.20 million MT in 2028.

With the increase in meat consumption, meat production is expected to grow at 1.3 percent annually from 2019 to 2028, to reach 4.28 million MT in 2028, which is about 22.03 percent higher than the average production of 3.50 million MT during the period 2016 to 2018.

The corollary of this increase in meat production is the rise in demand for soybean oil-cake coming from the livestock and poultry industry. Consumption of soybean oil-cake is projected to reach approximately 3.15 million MT in 2020, up seven percent from 2.95 million MT in 2019. On the other hand, its local production has been insignificant – 126,000 MT in 2018 compared to the total requirement of 3.20 million MT. As a result, the Philippines has been importing the product along with other feed ingredients in large volumes.

The Philippines is largely dependent on the importation of animal feed ingredients. The level of importation of soybean oil-cake has, however, been volatile over the past five years because of the occurrence of outbreaks of animal diseases like avian flu and African swine fever as well as the fluctuations in soybean world prices and in the USD-PHP exchange rate.

Over the past five years, the Philippines' top two suppliers of soybean oil-cake by country have consistently been the United States of America (USA), with at least 72 percent of total Philippine imports annually, and Argentina, with about 20 percent. Except for 2017 and 2019, when it ranked 7th and 6th, respectively, Brazil was the third biggest supplier, with less than two percent, at its highest, during the period.



Executive Summary

Several large livestock and poultry producers, among them, San Miguel Foods, Inc., Cargill Philippines, and Bounty Fresh Group of Companies, have integrated animal feed production into their operations to better manage their resources, thereby reducing their transaction costs.

A number of legislations and initiatives have been taken by the Philippine government to ensure the stable supply of agriculture products, including soybean oil-cake, in the country. Among these are simplifying the accreditation and application procedures for importers and foreign suppliers and reducing the fees for importing products into the Philippines. These measures are expected to help lower the costs of producing meat products locally, eventually resulting in increased meat production. Also, the Philippine government, together with other key agencies, has started a soybean research and development program to increase local farmers' knowledge of the source plant and ultimately, improve local soybean production.

Opportunities in the Philippine animal feed industry are in the production segment, since only about four percent of soybean oil-cake requirements of companies for the local market is produced in the country; the wholesale distribution of soybean oil-cake; and direct exports to commercial and integrated feed millers in the country.

COVID-19 and Philippine Food Production

The Philippine Statistics Authority (PSA) reported that the country's GDP declined by 0.2 percent year-on-year during the first quarter of 2020. The agriculture and industry sectors' gross value added dropped by 0.4 percent and 3.0 percent, respectively, while the services sector experienced a growth of 1.4 percent. The manufacturing, transportation and storage, and accommodation and food services sectors were identified to be the main contributors to the decline in economic activities.

Household consumption, especially of non-essential goods and services, is also expected to drop by about 0.2 percent (USD 0.87 billion) to 0.5 percent (USD 1.81 billion) because of plunging household incomes, social distancing interventions, and overall health concerns. The International Monetary Fund (IMF) has projected that the Philippine GDP growth in 2020 would be at 0.6 percent – 5.7 percentage points lower than the pre-COVID-19 forecasted growth of 6.3 percent.

The gross value added of agriculture, forestry, and fishing sector in the first quarter of 2020 declined to USD 8.48 billion from USD 8.51 billion in the same quarter of 2019. The livestock industry's output grew by 1.5 percent during the first quarter of 2020 while that of the poultry industry grew by 3.5 percent from the previous year's level.



Executive Summary

The country's hog production, which has been affected by the spread of African swine fever, further suffered from disruptions in internal food supply chains, as has the rest of the agricultural sector. This situation is expected to persist for the remaining months of 2020 through the first quarter of 2021. It is worthy of note that the decline in hog production was offset by an increase in poultry production. However, with major food consumers such as those in the hospitality, food services, and food retailers industry severely hit by the pandemic, currently, the country has an oversupply of poultry products.

The COVID -19 pandemic has brought about emerging themes in the Philippine agriculture, the following of which are relevant to the soybean oil-cake market and supply situation:

1. Emergence of venture capital and concessional loan programs. The country is dealing with the large scale repatriation of overseas contract workers. Over the past four decades, worker remittances have played an integral part in the country's attainment of investment grade status. That cash flow has evaporated with the problem now of having to absorb large numbers of jobless workers. It is highly likely that the government will seriously consider increasing its borrowings if these can be shown to be channeled into properly structured sustainable projects. With the newfound delineation of what economic activities are considered essential, the one clear investment destination is agriculture and food production and distribution.
2. Economic regionalism. As the regions saw the closing of internal borders due to the fear of the pandemic, local governments are realizing that during times of maximum stress, it can only rely on itself. The regional psyche has now been scarred with this realization and overtures on how to achieve food security, self-sufficiency, and economic independence at the regional level will be welcomed by the local governments.

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INTRODUCTION

The Philippines is one of the largest archipelago nations situated in the Southeast Asia Region. The islands of the Philippines are classified into three main geographical areas, namely Luzon, Visayas, and Mindanao. Manila, a highly urbanized city, is the country's capital. It is one of the cities that make up the National Capital Region (NCR), which is located in Luzon. NCR is composed of 16 cities and one municipality and is the political, economic, and commercial center of the Philippines.

The Philippine population is about 108.27 million, equivalent to 1.4 percent of the total world population. It is reported to be the 13th most populous country in the world. The country's primary languages are Filipino and English – the latter being the business language and principal medium of instruction, making the Philippines one of the world's largest English-speaking countries. Literacy rate is high, at 97.96 percent.

The Philippines has a presidential system of government. There are three sovereign yet interdependent branches: Executive, Legislative, and Judicial. The executive power is vested in the president of the country while the legislative power is vested in the Congress of the Philippines, which consists of 24 Senate members elected at large by qualified voters, and about 250 members of the House of Representatives elected in their respective resident geographical areas, including party-list representatives elected through a party-list system. The judiciary branch is composed of the Supreme Court and such lower courts as established by law.

The Philippines is one of the fastest-growing economies in Asia. Its Gross Domestic Product (GDP) grew at a CAGR of 6.6 percent from USD 329 billion in 2015 to USD 374 billion in 2019 with the services sector as both the fastest growing and the largest contributor to the GDP. Further, the Gross National Income (GNI) per capita was USD 3,861 in 2019 which was higher by 4.6 percent than the previous year's GNI.

Poverty incidence has been declining, from 27.6 percent in 2015 to 21 percent in 2018. The Philippine unemployment rate was estimated to be 5.1 percent in 2019, which is lower than the unemployment rate of 5.4 percent in 2018.

Filipinos 15 to 64 years old make up about 64 percent of the country's population. Due to improved living conditions and better access to health care services, Filipinos are expected to live much longer than before. Currently, the life expectancy is 66.2 years for males and 72.6 years for females.

Demographic Indicator	
GNI per capita, 2019 (USD)	3,861
Total Population, 2019 (in thousands)	108,274
Population annual growth rate 2019 (%)	1.6
Population in urban areas 2019 (%)	47.1
Population, under 15 years of age (%)	30
Population, over 60 years of age (%)	6
Average Life Expectancy (year)	71



Introduction

In terms of contribution to GDP, the three major economic sectors are the services sector, 61 percent; industry sector, 30 percent; and agriculture sector, nine percent. The agriculture sector is composed of several subsectors: crops, fishing, livestock and poultry, and agricultural activities and services. The sector's gross value added grew from USD 33.50 billion in 2018 to USD 34.40 billion in 2019 or a growth of three percent.

The Department of Agriculture (DA) is the executive department of the Philippines responsible for promoting the country's agricultural development, providing the policy framework, helping direct public investments, and assisting agriculture-based businesses. The Bureau of Animal Industry, which is part of the DA, is a government agency that regulates the licensing, registration, and activities of businesses related to livestock, poultry, dairy products, animal feeds, and veterinary supplies. To date, the agency has 364 registered feed importers, 104 feed manufacturers, 621 feed distributors, 95 feed dealers, and 4,203 retailers.

There are 116 registered feed mills in the country and most of these feed mills are concentrated in Luzon, which slows down the access to raw materials and animal feeds, thus increasing costs. Besides the limited access to inputs and animal feeds, the local supply of soybean oil-cake in the Philippines is scarce and the country's soybean oil-cake requirement is mainly sourced from the USA and Argentina.

With a growing population and increasing incomes, Filipinos are starting to spend more on food and other agricultural products. The per capita expenditure on food in the Philippines was USD 952.3 in 2018 from USD 882.6 in 2015, with a CAGR of about three percent (World Data Atlas, 2018). Given the expanding demand for agriculture products, the Philippine government shows its support by streamlining importation procedures as well reducing the fees for imports.

The Philippines presents various investment opportunities to foreign companies in the animal feed industry given the limited supply of locally manufactured soybean oil-cake, the dependency on imported soybean oil-cake and the growing demand for livestock and poultry products. In line with this, the Embassy of Brazil in Manila commissioned a research on the Philippine soybean oil-cake market to provide information that would be useful to individuals and companies in Brazil who are looking into investment opportunities in the Philippine agriculture sector, particularly in the animal feed industry.

This report highlights demographic data relevant to the agriculture sector, local market and import trends, major developments in the industry, and government support to the sector. Information on key industry players is likewise provided. For the purposes of this report, soybean oil-cake refers to the primary raw material for animal feed production - a common source of protein for animal feeds in the country.

SOYBEAN OIL-CAKE AND OTHER SOLID RESIDUES

1

SECTION

Oil-cake and other solid residues that are by-products of the extraction of soybean oil from soybean seeds are categorized under HS Code 23.04. These by-products are commonly used in the production of high protein feeds for livestock or are made into defatted soybean flour for human consumption.

Soybean Oil-cake

Soybean oil-cake is a primary raw material for animal feed production, specifically for poultry and swine feeds, and is considered as the most cost-effective source of amino acids (Kerley and Allee, 2003).

Defatted Soybean Flour

Defatted soybean flour is mainly used to improve moisture retention of pastries during the baking process and to refine the taste of most common food due to its sweet and mild flavor. Also, when used in preparing fried food, defatted soybean flour reduces the fat that is absorbed by the food.



Soybean Oil-cake and Other Solid Residues

AHTN Code 2304 - Soybean Oil-cake

The products listed under heading no. 23.04 and the corresponding tariff for Most Favored Nation (MFN) are presented below.

Table 1.1 Soybean Oil-cake AHTN Code 23.04 (2017)

AHTN Code	Description	Rates of Duty for MFN, 2020
23.04	Oil-cake and other solid residues, whether or not ground or in the form of pellets, resulting from the extraction of soyabean ¹ oil	
2304.00.10	Defatted soyabean flour, fit for human consumption	0%
2304.00.90	Others	0%

Source: Philippine Tariff Commission

Animal Feed Ingredients

The Philippine livestock and poultry subsector adopts a corn-soybean meal diet. The most common feed ingredients used in animal feed production are yellow corn, soybean meal, rice bran, copra meal, fish meal, wheat and wheat by-products. The subsector utilizes some locally grown crops like corn, rice bran, wheat, and copra meal in the animal feed production.

Corn or its substitutes account for 60 to 70 percent of the feed formula while soybean oil-cake accounts for 20 to 25 percent (AMIS, 2014). According to the Philippine Animal Feeds, Veterinary Drugs and Biologics Control Division (AVDBCD), the percentage of soybean oil-cake used in animal feed may go as high as 40 percent, depending on the feed manufacturer's formulation.

The feed ingredients can be mainly classified as:

- Energy-source materials – this is the major component of feed rations. The most common sources include common corn or maize, corn bran, corn grits, sorghum, wheat bran, coconut meat, cane molasses, cane sugar, animal fat, and vegetable fat or oil.
- Protein-source materials – since grains and grain-products are poor sources of protein, supplemental sources of protein are necessary such as blood meal, dried buttermilk, dried whey, fish meal, shrimp meal, skim milk powder, alfalfa leaf meal, brewer's dried yeast, copra meal, corn by-products, ipil-ipil leaf meal, and soybean meal.

¹Spelled as soybean in this Report



Soybean Oil-cake and Other Solid Residues

Feed Strategy highlighted other protein-source ingredients that can be used as substitutes to soybean meal in animal feed formulation. The most common are cottonseed meal, sunflower meal, and lupin seed.

- Cottonseed Meal – contains good amount of crude protein and fiber. Mixing of cottonseed meal in animal feeds should be limited as high concentration of it may cause difficulty in animal reproduction and impairment of animal's immune system.
- Sunflower Meal – contains small amounts of sugar which make the feed sweet. One of its anti-nutritional factors is its nutrient deficiency that may affect the animal's immune system and increase the animals' susceptibility to infectious diseases.
- Lupin Seed – contains a fair amount of crude protein and is high in fiber, which may cause poor digestion for some animals.

The Tradeline data showed that the Philippines imported only 1,051 kilograms (PHP 295,985; USD 5,872) of cottonseed meals in 2017 and no further importation was made in the following years. Meanwhile, the Philippine importation of sunflower meals increased from about 1 million kgs. (PHP 8.01 million; USD 158,917) in 2017 to 2.5 million kgs. (PHP 38.09 million; USD 735,291) in 2019.

Aquafeeds

Fish meal is regarded as an important aquafeed component for many types of carnivorous fish. As an alternative ingredient, soybean meal can also be used in diets for fish and shrimp. However, the high concentration of anti-nutritional factors limits the level of inclusion of soybean meal in aquafeeds. To eliminate the concern regarding the presence of anti-nutritional factors, a soy protein concentrate can be used instead of soybean meal (Dersjant-Li, 2002).

LOCAL MARKET TRENDS

2

SECTION

The Philippine agriculture sector has been contributing 11.3 percent (PHP 1.70 trillion; USD 37.10 billion) in 2015 to 9.2 percent (PHP 1.80 trillion; USD 34.40 billion) in 2019 to the Philippine gross domestic product.

The demand for soybean oil-cake is heavily dependent on the country's agriculture sector, particularly the livestock and poultry subsector (Corpuz, 2019).



Local Market Trends

Philippine Agriculture Sector

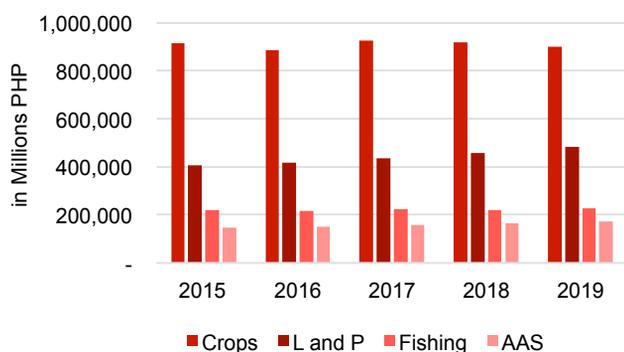
The Philippine agriculture sector is an essential part of the country's economy. It contributed an average of 10.14 percent from 2015 to 2019 to the Philippine Gross Domestic Product (GDP). The sector provided employment to about 30 percent of the Philippines' total labor force in 2018.

The Philippine agriculture sector is composed of the following subsectors:

- **Agricultural Activities and Services (AAS)** - AAS subsector includes forestry, logging, and agricultural support services. This subsector had the lowest contribution among the agricultural subsectors amounting to PHP 173.60 billion (USD 3.40 billion) or 0.9 percent of the GDP in 2019.
- **Crops** – this subsector is focused on the production of crops and fruits that are consumed as food or used as raw materials. It contributed about 4.7 percent (PHP 900.80 billion; USD 17.40 billion) to the country's GDP in 2019. The country's main crops are rice grain, corn, coconut, banana, and pineapple.
- **Fishing** – this subsector pertains to local and commercial fishing, fish cage/pen operations, and seafood production. The fishing subsector accounted for about 1.2 percent (PHP 226.10 billion; USD 4.40 billion) of the GDP in 2019. The main seafood products of the Philippines include milkfish, tilapia, tiger prawns, skipjack tuna, and round scad.
- **Livestock and Poultry (L and P)** - L and P subsector is focused on the activities of animal raising, for sale or for animal products, of farms and ranches. The most commonly produced animals in this subsector are hogs, chickens, and bovine. Its share in the country's GDP amounted to PHP 483.30 billion (USD 9.30 billion) in 2019.

Among the subsectors, the livestock and poultry subsector has shown continuous growth in gross value added (GVA), a measure of the contribution to GDP, for the past five years (Figure 2.1) due to the growing meat consumption of the Philippines. Chatham House, a think tank organization in the United Kingdom, reported that the Philippines is one of the fastest growing meat consuming countries in the world.

Figure 2.1 GVA by Subsector, 2015 to 2019



Source: Philippine Statistics Authority

Table 2.1 GVA per Subsector in USD billions*, 2015 to 2019

	2015	2016	2017	2018	2019	CAGR
Crops	20.09	18.63	18.37	17.46	17.39	-0.37%
L and P	8.95	8.82	8.67	8.70	9.33	4.37%
Fishing	4.82	4.57	4.40	4.19	4.37	0.76%
AAS	3.24	3.19	3.14	3.12	3.35	4.20%
GVA	37.10	35.21	34.58	33.47	34.44	1.39%

Source: Philippine Statistics Authority
Converted to USD*



Local Market Trends

The animal feed industry is an intermediary industry of the crops subsector and the livestock and poultry subsector (Figure 2.2). It plays a vital role in ensuring sufficient food supply for the livestock and poultry subsector. The capability of the industry to produce high quality feeds at reasonable prices will have an impact on the quality of poultry and livestock products to be produced.

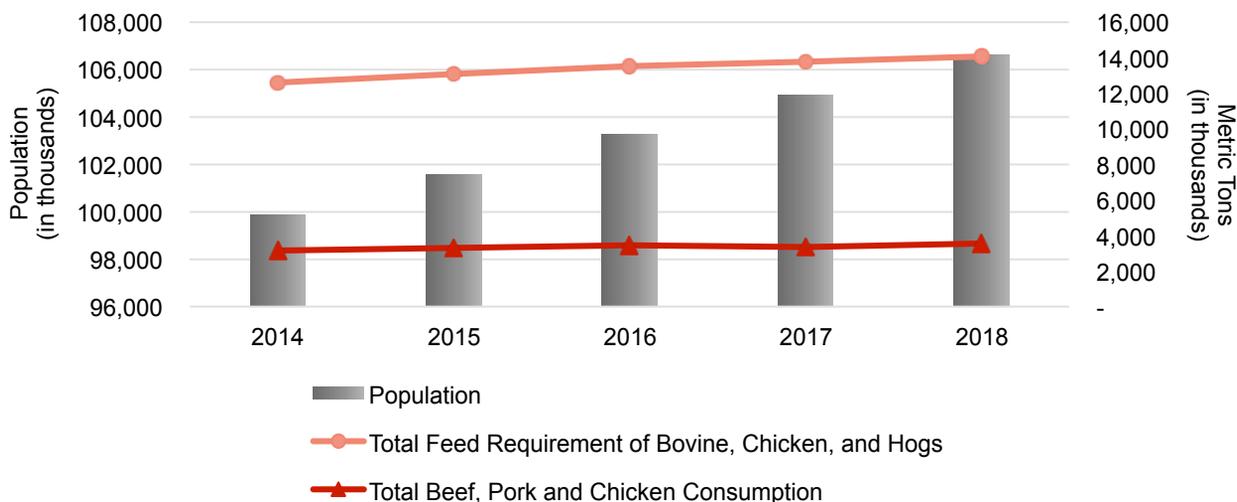
Figure 2.2 Food System Management Model



Source: Esplana and Soliaban

The demand for animal feeds is increasing due to the constant demand for meat and poultry products which is caused by the growing population. The trend of the Philippine population, the total beef, chicken and pork consumption, and the demand for bovine, chicken and hog feeds for the period 2014 to 2018 is illustrated on Figure 2.3. The demand for bovine, chicken and hog feeds was estimated by multiplying the annual volume of bovine, hog, and chicken production by the respective feed conversion ratios, the amount of feed needed to grow the animal for a desired output, of 7², 2.2 and 3.1 (Esplana and Soliaban).

Figure 2.3 Population, Meat Consumption, and Animal Feed Demand, 2014 to 2018



Source: Philippine Statistics Authority

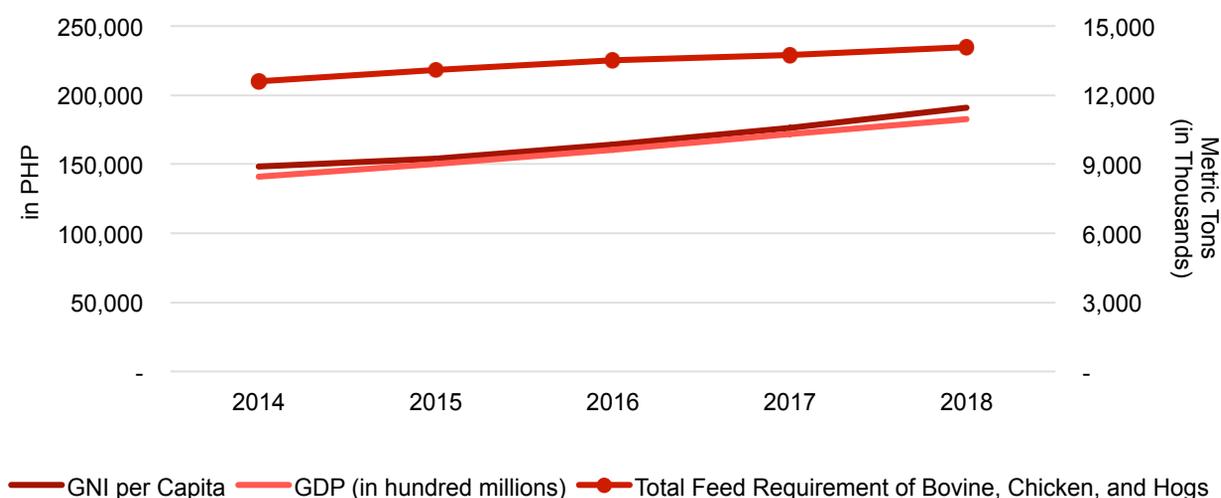
²The FCR for bovine was based on global FCR average from Statista, 2020.



Local Market Trends

Furthermore, the demand for animal feeds and livestock and poultry products is also affected by the economic condition of the country and by the per capita income of Filipinos. In 2018, the Philippines was classified by the World Bank as a lower-middle income country with a Gross National Income (GNI) per capita of PHP 192,955 (USD 3,664). The trend of the GNI per Capita, GDP, and annual bovine, chicken and hog feed requirement for the years 2014 to 2018 is shown in Figure 2.4.

Figure 2.4 GNI per Capita, GDP, and Animal Feed Demand, 2014 to 2018



Source: Philippine Statistics Authority

The GNI per capita grew at a CAGR of 6.55 percent from 2014 to 2018, the GDP had a CAGR of 6.69 percent in the same period while the feed requirement for bovine, chicken and hog had an estimated CAGR of 2.83 percent.

As households' income increases, food consumption also rises along with the feed requirement. However, the growth in food consumption is not at the same rate as that of GDP and the GNI per capita because the percentage of the additional income spent on food is less than the percentage spent on other goods. Based on the analysis of the Philippine Statistics Authority's 2015 to 2019 household final consumption expenditure, the majority of the increase in Filipino households' expenditures is attributable to education with a CAGR of 9.18 percent, followed by restaurants and hotels (8.05%), housing and utilities (7.19%), and health (7%).



Local Market Trends

Soybean Oil-cake

The animal feed industry is heavily dependent on the importation of its raw materials such as soybean oil-cake.

Soybean oil-cake remains to be the common source of protein for animal feeds for livestock and poultry due to its high protein content and amino acid profile.

The Philippine Association of Feed Millers (PAFMI) releases a monitoring of feed ingredient prices on a regular basis. The prices of some protein-source ingredients, from November 2019 to January 2020, used in the animal feed production are shown on Table 2.2. Soybean meal (SBM) is relatively cheaper than other feed ingredients with the exception of copra meal. The price of a local fish meal is more than twice the price of the Argentina SBM while the copra meal is about 30 percent cheaper than the Argentina SBM.

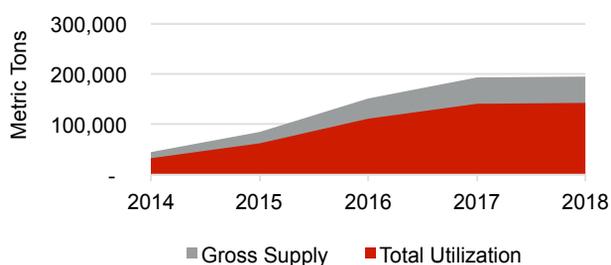
Table 2.2 PAFMI Price Monitoring, Price Range in USD*/KG

Ingredient	November, 2019	December, 2019	January, 2020
USA Soybean Meal	0.42-0.43	0.42-0.44	0.42-0.46
Argentina Soybean Meal	0.41	0.42	0.42
Local Fish Meal	0.97	0.83-0.87	0.83-0.91
Full fat soya	0.57-0.59	0.58-0.59	0.57-0.59
Copra meal	0.24-0.25	0.27	0.28-0.29

Converted to USD*

The supply and utilization of soybean had an upward trend for the period 2014 to 2018 (Figure 2.5). In addition, the demand for soybean oil-cake in the Philippines is expected to increase to approximately 3.15 million metric tons (MT) in 2020 as the local livestock and poultry raisers capitalize on the growing consumption of meat and meat products (Corpuz, 2019).

Figure 2.5 Soybean Supply and Utilization, 2014 to 2018



Source: Philippine Statistics Authority

For the years 2020 to 2028, the Organization for Economic Co-operation and Development and the Food and Agriculture Organization forecast that the growth in protein meal consumption may exceed the growth of animal production due to the shift to a more feed-intensive production system in developing countries. The use of protein meal per unit of livestock production is also expected to increase which may result in rapid growth of the demand for protein meals in developing countries.

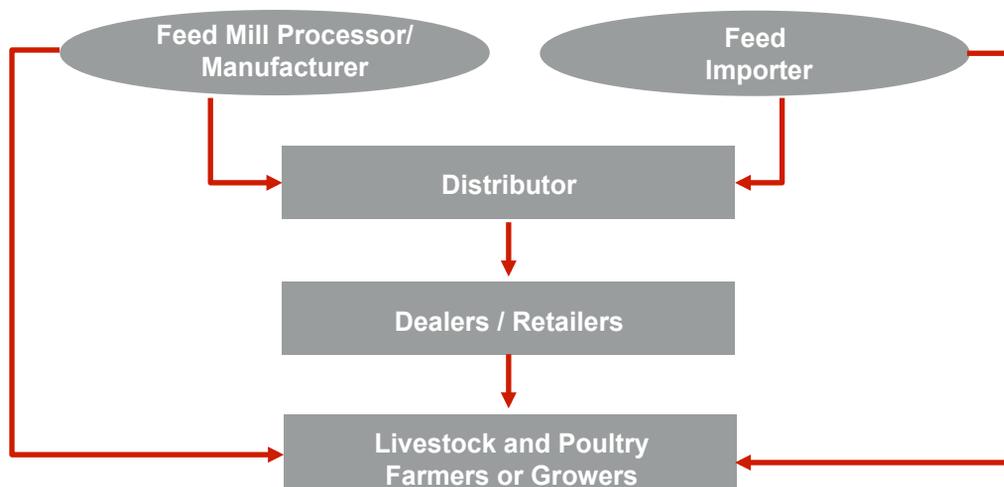


Local Market Trends

Animal Feed Production

The typical value chain of the animal feed industry is presented below.

Figure 2.6 Value Chain in the Animal Feed Industry



Based on the data gathered from the Bureau of Animal Industry (BAI), the Philippines has 364 registered feed importers, 104 feed manufacturers, 621 feed distributors, 95 feed dealers, and 4,203 retailers currently registered with the BAI. Some companies assume multiple roles in the animal feed industry. Of the 364 feed importers, 129 (35%) are also feed distributors, and out of 129, nine (6%) are feed retailers.

The Alltech Global Feed Survey in 2017 reported that 86 percent of the global animal feed supply was produced by the top 30 countries, which included the Philippines.

The animal feed mills produce feeds not only for hogs and poultry but also for bovine, pigeons, rabbits, dogs, fish, and prawns to name a few. The large feed millers are mechanized thus increasing production efficiencies.

The animal feed mill industry is composed of the following:

- Commercial feed millers – fully engaged in the production of animal feeds
- Home-mixer feed millers – engaged in the production of feeds for the sole consumption of its farm animals; also called backyard feed millers
- Integrated feed millers – engaged in livestock and poultry production while concurrently producing animal feed for the commercial market

Among these, commercial and integrated feed millers are the most relevant categories for exporters to tap.



Local Market Trends

The integration of the animal feed production and the livestock and poultry production is a cost-effective business model in lessening transaction costs. Some of the large feed millers have successfully integrated the commercial feed production with the growing of poultry and hogs, thus securing a market for their products.

In the Philippines, Cargill has ventured with Jollibee Foods Corp. (JFC), one of the most popular fast food chains in the country, to invest in a poultry-processing factory since JFC is one of the largest consumers of chicken in the country.

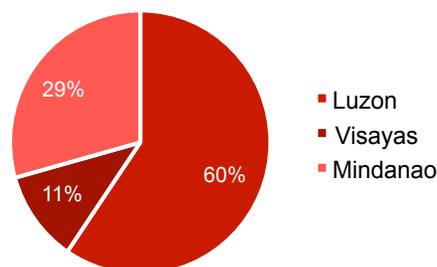
Further, contract growing has become a common practice in the agriculture sector. Contract growing is an agreement between an independent farmer (the contract grower) and a company for the production and supply of agricultural products under an agreed or predetermined fee. Contract growing is an effective means to develop market and transfer technical skills and has proven to be beneficial to both the independent farmer and the company.

San Miguel Foods, Inc. (SMFI), a leading food processing company in the Philippines, provides business opportunities to independent farmers through its broiler and hog contract growing operations. In this arrangement, SMFI provides the building specification, the chicks and/or pigs, feeds and nutritional requirement, and technical and medical assistance. On the other hand, the contract grower provides the agricultural land, poultry/pig house and facilities, labor, and the management of the production.

In total, there are 116 registered feed mills in the country. Seventy-five percent or 87 feed mills are commercial feed mills, controlled by 77 companies.

The majority (60 percent) of the feed mills are found in Luzon, while 29 percent are located in Mindanao and the remaining mills are in Visayas (Figure 2.7). The Agricultural Market Information System (AMIS) explained that the concentration of the feed mills in Luzon, particularly in the National Capital Region and the surrounding regions, is mainly due to the presence of numerous commercial livestock operators and feed ingredient suppliers in these areas.

Figure 2.7 Distribution of Feed Manufacturing Plants by Geography, 2019



Source: Bureau of Animal Industry

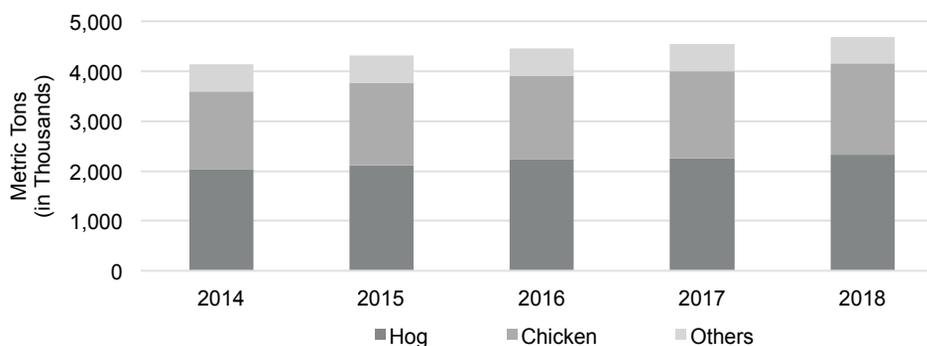


Local Market Trends

Livestock and Poultry Production

Hog and chicken are the most produced animals in the country. Of the 4.67 million MT of livestock and poultry produced in 2018, 48 percent and 39 percent were hogs and chickens, respectively (Figure 2.8). These animals have the highest level of inventory in the livestock and poultry subsector (Table 2.3).

Figure 2.8 Livestock and Poultry Volume of Production by Type, 2014 to 2018



Source: Philippine Statistics Authority

Table 2.3 Livestock and Poultry Inventory by Type, in '000 heads, 2016 to 2018

Animal	2016	2017	2018
Bovine ³ - Beef	5,388	5,385	5,392
Bovine - Dairy	43	45	45
Hog	12,479	12,428	12,604
Goat	3,663	3,710	3,725
Chicken	178,793	175,317	175,772
Duck	10,519	10,842	11,220

Source: Philippine Statistics Authority

From 2019 to 2028, domestic pork output is estimated to increase annually by 1.8 percent from 1.86 million MT to 2.23 million MT while the demand for pork is expected to reach 2.42 million MT by 2028, which is higher than the demand of 1.99 million MT in 2019. For poultry, production is projected to expand by 2.0 percent annually to 1.62 million MT by 2028, which is lower than the estimated total demand of 2.13 million MT for chicken meat in 2028 (Business Mirror, 2019).

³Bovine is the general classification for cattle and domestic water buffalo (also known in the Philippine language as kalabaw) and is regarded as a beast of burden, a farm animal that is used in farm activities. It is also a source of dairy milk and beef.



Local Market Trends

Annual Animal Feed Requirement

The Agricultural Market Information System (2014) defines feed conversion ratio (FCR) as “a measure of an animal’s efficiency in converting feed mass into the desired output. This ratio helps in estimating the efficiency of feeds being used in the livestock sector.” To obtain an estimated annual requirement of animal feeds, the PSA’s annual volume of production for livestock and poultry is multiplied to the average FCR of 2.2 for chicken, 3.1 for hogs, and 7 for bovine.

Listed below are the annual volumes of production of hogs, chicken, and bovine, the estimated annual feed requirement, and the estimated annual soybean meal requirement using the average percentage of soybean meal in a feed ratio of 20 percent for the period 2014 to 2018 (AMIS, 2014):

Table 2.4 Production of Hog, Chicken, and Bovine, Animal Feed and Soybean Meal Requirement, in MT, 2014 to 2018

	2014	2015	2016	2017	2018
Hog Production	2,032,300	2,120,300	2,231,700	2,265,000	2,319,800
Annual Feed Requirement	6,300,139	6,573,032	6,918,146	7,021,547	7,191,268
Soybean Meal Requirement	1,260,028	1,314,606	1,383,629	1,404,309	1,438,254
Chicken Production	1,571,800	1,660,800	1,674,500	1,745,900	1,836,700
Annual Feed Requirement	3,457,876	3,653,789	3,683,911	3,840,954	4,040,661
Soybean Meal Requirement	691,575	730,758	736,782	768,191	808,132
Bovine Production	404,353	408,939	415,100	410,710	406,453
Annual Feed Requirement	2,830,471	2,862,573	2,905,700	2,874,970	2,845,171
Soybean Meal Requirement	566,094	572,515	581,140	574,994	569,034

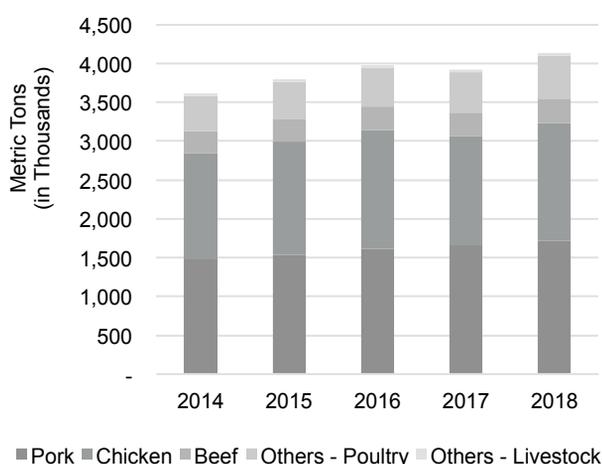


Local Market Trends

Food Consumption

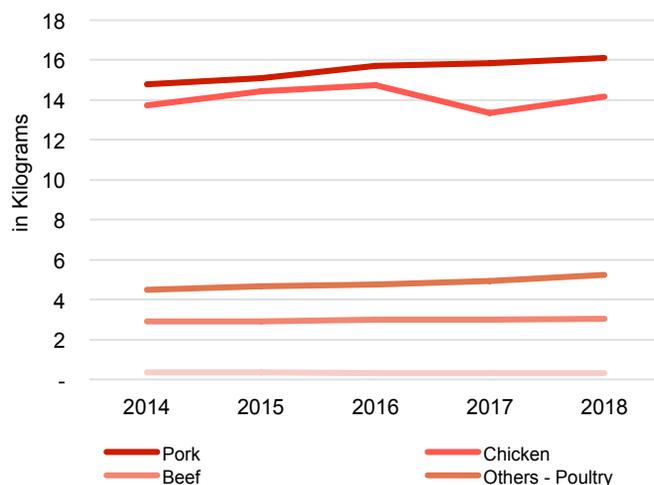
Pork and chicken meat are the most consumed meat products in the Philippines. The total human consumption of livestock and poultry products in the country in 2018 was 4.14 million MT of which 1.71 million MT or 41.43 percent were pork consumption and 1.51 million MT or 36.49 percent were chicken meat consumption (Figure 2.9).

Figure 2.9 Human Consumption of Livestock and Poultry, 2014 to 2018



Source: Philippine Statistics Authority

Figure 2.10 Annual Meat Consumption per Capita, 2014 to 2018



Source: Philippine Statistics Authority

For the year 2018, the pork consumption per capita was 16.09 kgs. while the chicken meat and beef consumption per capita were 14.17 kgs and 3.02 kgs, respectively. Further, the annual milk consumption per capita is estimated to be 22 kgs. The Philippines imports the majority of its dairy product requirement, since the domestic production cannot meet the country's dairy demand (Ang, P.A, 2018).

As shown in Figure 2.10, there was a decrease in per capita chicken meat consumption from 14.75 kgs. in 2016 to 13.34 kgs. in 2017, due to the avian flu (H5N6) outbreak from April to September in the same year. It was widely reported that this type of avian flu could be transmitted to humans, hence the decline in chicken meat consumption in 2017.

In July 2019, the Philippines experienced an outbreak of the African swine fever (ASF), a disease that affects hogs and transmissible between hogs but is not harmful to humans. By the end of February 2020, ASF outbreaks were still reported in Northern and Southern Luzon. According to FAO (2020), approximately 6,745 pigs were slaughtered due to the disease. Although the 2019 and 2020 data have yet to be released, the ASF affected the production of hogs and the demand for pork.



Local Market Trends

Key Industry Players

The following companies are some of the key industry players in the livestock and poultry subsector, and the top importers of soybean oil-cake and defatted soybean flour:



San Miguel Pure Foods offers a wide variety of products - from animal feeds to fresh and processed meat to dairy and milk products. The company operations are vertically-integrated, that is, from plantations to marketing and processing of livestock and poultry.



The Robina Agri Partners is the agro-industrial arm of Universal Robina Corporation. The company operates Robina Farms, one of the largest, fully integrated, livestock farm in the Philippines. It is engaged in a wide range of industry activities which include livestock and poultry farming and animal feed production.



Bounty Fresh Food Incorporation is one of the largest poultry integrators in the Philippines and operates one of the largest broiler complex in the country. The company is also engaged in the production of feeds for chickens and pigs.



Cargill is a multinational company that offers various agricultural products. Its operations include production of grains, oilseeds, commercial animal feeds, and food and beverage ingredients. Apart from agricultural products, the company also provides financial and shipping services.



Pilmico Foods Corporation is a subsidiary of Aboitiz Equity Ventures. Its operations include flour milling, feeds manufacturing, and hog farming. The company is one of the top swine producers in the Philippines.



La Filipina Uy Gongco Corporation's business operations include manufacturing of flour, fertilizer, and animal feeds as well as hog production and sugarcane farming. The company has expanded its operations to meat processing, pasta manufacturing, and logistics.



Foremost Farms, Inc. has a 146-hectare hog-raising facility south of the National Capital Region, which is one of the largest in Southeast Asia. It has an average daily production of over 50 MT of hogs for the domestic market. It also has a feed mill with a rated capacity of over 30 MT per hour. Foremost Farms, Inc. is a member of the La Filipina Uy Gongco Corporation.



Local Market Trends



General Milling Corporation is a pioneer of flour milling in the Visayas region. It has expanded to feed milling, maize milling, agribusiness, and fermentation as well as ventured into consumer goods, like snack foods, pasta, instant noodles, oil, and coffee.



Simon Agriventures Corporation is a family-owned company engaged in the animal feed ingredient distribution, animal health distribution, and animal premix manufacturing.



UNAICO is a subsidiary of United Laboratories, Inc., which is one of the leading pharmaceutical companies in the Philippines. UNAICO is engaged in the business of animal nutrition and health care services. It provides veterinary and feed products for swine, poultry, ducks, quail, pigeons, and dogs.



Thick & Thin Agri-Products, Inc. is engaged in the production of hog, poultry, and aqua feeds. Its products, under the brand name “Atlas Nutrition”, are distributed across Luzon through its accredited distributors, dealers, sub-dealers and users.



Easy Bio Philippines, Inc. was established by a Korean company, Easy Bio System. Its operations include manufacturing of animal feeds and feed additives that are distributed nationwide to cater to farms and feed mills. The company also houses a total of 4,000 sows and 55,00 layers in its farms. It has a diagnostic laboratory that is equipped to provide advanced animal disease diagnostic tests.



MCR Agri-Venture Corporation, a company based in Western Visayas, is engaged in wholesaling, distribution, and retailing of agricultural products and veterinary medicines. It offers various commodities such as soybean, soybean meal, corn, feed wheat, barley, oats, and more.

Philippine Super Feed Corporation is engaged in the business of manufacturing animal feeds. Its major suppliers for soybean meal are from the USA, namely AG Processing Inc., ADM Export Co., and Bunge North America, Inc.

Great Harvest Enterprises, Inc., which is located in the National Capital Region, is an importer of soybean oil-cake for poultry feeds. Its major suppliers for soybean oil-cake are from the USA, namely AG Processing Inc., ADM Export Co., and Bunge North America, Inc.

Some of the other top importers are private companies with limited publicly-available information. These companies with insufficient information were not presented.

IMPORT TREND ANALYSIS

3

SECTION

According to the Bureau of Plant Industry (2016), the land area occupied by soybean plantations is just around 1,000 hectares. In addition, most of the locally produced soybean, specifically in Pangasinan and Ilocos, is for food consumption and not for feed production.

Local production of soybean oil-cake has been insignificant. In 2018, it was 126,000 MT, just four percent of the total soybean oil-cake supply requirement of 3.20 million MT. Due to the insignificant domestic production of soybean oil-cake, there is a high dependency on the importation of soybean oil-cake in order to meet the demand.

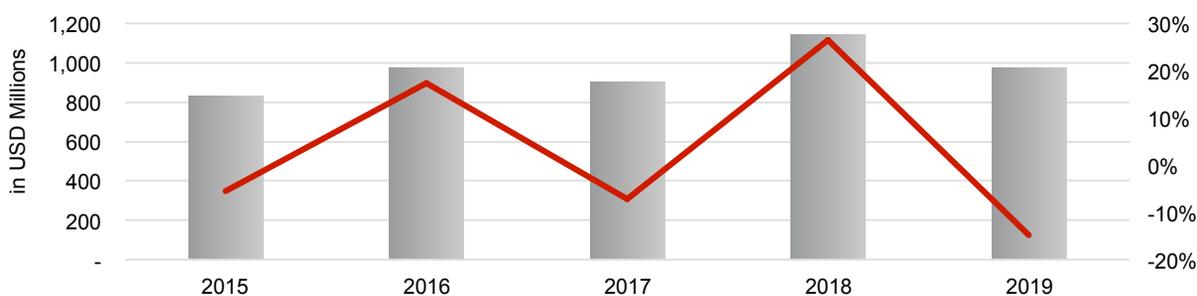


Import Trend Analysis

The Philippine Importation of Soybean Oil-cake

Over the period of 2015 to 2019, the total importation of soybean oil-cakes (under HS Code 2304) grew at a CAGR of four percent, from USD 830.46 million (PHP 37.79 billion) to USD 973.31 million (PHP 50.42 billion). The importation of soybean oil-cake in 2019 accounted for approximately one percent of the country's total importation. The country had the highest importation of soybean oil-cake in 2018 totaling USD 1.10 billion (PHP 57.93 billion) while the average yearly import in terms of value is USD 804.17 million (PHP 41.66 billion) (Figure 3.1).

Figure 3.1 Philippine Importation of Soybean Oil-cakes, 2015 to 2019



Source: Tradeline Philippines

Value

Annual Growth

The fluctuation in the Philippine importation of soybean oil-cakes is mainly caused by the occurrence of outbreaks of animal diseases in 2017 and 2019, along with the volatility of the world price of soybeans and the USD-PHP exchange rate (Table 3.1). Based on articles published by Reuters, grain traders faced lower demand for soybean products when global outbreaks of avian flu occurred in 2017. Moreover, the spread of ASF in 2019 decreased the demand for feed grains, including soybean meals.

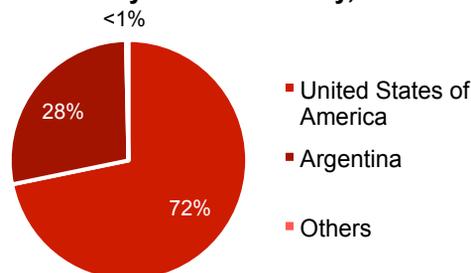
The majority of the Philippines' soybean oil-cake imports in 2019 were sourced from two countries: United States of America, which accounted for about 72 percent of the total soybean oil-cake imports, and Argentina, with about 28 percent. Other country suppliers accounted for approximately one percent of the imports (Figure 3.2).

Table 3.1 Soybean World Price and Exchange Rate,

	2015	2016	2017	2018	2019
PHP/USD	45.50	47.49	50.40	52.66	51.80
Average Price	\$9.42	\$9.88	\$9.78	\$9.35	\$8.93
Year High	\$10.57	\$11.78	\$10.75	\$10.78	\$9.53
Year Low	\$8.55	\$8.56	\$9.04	\$8.14	\$8.03

Source: Macrotrends and Bangko Sentral ng Pilipinas

Figure 3.2 Importation of Soybean Oil-cake by Source Country, 2019



Source: Tradeline Philippines



Import Trend Analysis

The country suppliers of the Philippines and their corresponding five-year CAGR from 2015 to 2019 are presented in Table 3.2.

Table 3.2 Country Suppliers of Soybean Oil-cake, Amounts in USD '000, 2015 to 2019

Country Supplier	2015		2016		2017		2018		2019		CAGR (%)
	Amount	Rank									
USA	642,013	1	716,206	1	659,359	1	890,213	1	698,937	1	2.10
Argentina	176,247	2	245,472	2	239,527	2	232,138	2	271,102	2	11.40
Bolivia	-	-	-	-	-	-	-	-	755	3	
South Korea	116	10	148	10	169	6	76	11	542	4	46.90
Australia ⁴	-	-	2,839	4	-	-	1,526	4	403	5	
Brazil	6,902	3	3,909	3	84	7	17,732	3	388	6	(51.30)
Taiwan	478	9	613	8	526	4	118	9	375	7	(5.90)
Canada	504	8	740	7	415	5	262	6	261	8	(15.10)
China	61	11	106	11	38	8	308	5	217	9	37.50
India	622	7	260	9	3,830	3	125	8	123	10	(33.30)
Netherlands	-	-	14	14	23	9	27	13	118	11	
Thailand	-	-	-	-	-	-	31	12	60	12	N/A
Hong Kong	-	-	-	-	-	-	-	-	24	13	N/A
Malaysia	1,329	5	1,186	6	-	-	-	-	-	-	N/A (100)
Viet Nam	1,440	4	2,789	5	16	10	93	10	-	-	(100)
Paraguay	709	6	-	-	-	-	-	-	-	-	(100)
Georgia	-	-	97	12	-	-	-	-	-	-	
Japan	33	12	27	13	-	-	-	-	-	-	N/A (100)
Italy	-	-	-	-	-	-	210	7	-	-	
											N/A

Source: Tradeline Philippines

Two countries, the USA and Argentina, have been consistently the top suppliers of the Philippines since 2015. On the other hand, Brazil lost market share, from being the third country supplier in 2015 to being the sixth country supplier in 2019. South Korea and China posted high CAGRs in the same period while no imports of soybean oil-cake from Malaysia and Vietnam were recorded in 2019. Over the five-year period 2015 to 2019, Australia had been exporting to the Philippines on a sporadic basis, since Australia is not one of the top producers of soybeans and its production can be affected by drought. Australia is also a net importer of soy-based products, primarily driven by the demand for soybean meal (AgriFutures, 2017).

⁴Tradeline Philippines reported Australia and Norfolk Island separately. The two were combined for the purposes of this research.



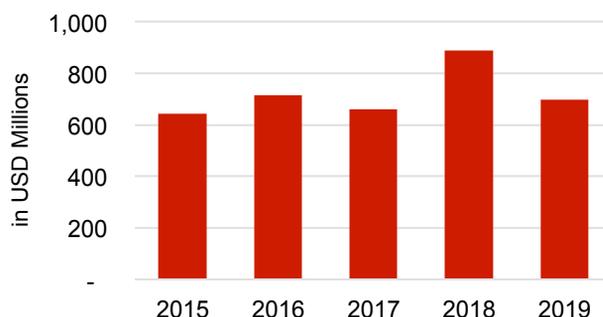
Import Trend Analysis

Top Country Suppliers

United States of America (USA)

In 2019, the USA exported a total of USD 699 million (PHP 36.21 billion) worth of soybean oil-cake products (HS Code 2304) to the Philippines. The CAGR over the period 2015 to 2019 was 2.10 percent, with 2018 being the highest at USD 890 million (PHP 46.87 billion) (Figure 3.3). According to the Global Agricultural Information Network, the Philippines is the USA's largest market for soybean meal. Its top companies exporting to the Philippines are AG Processing Inc., Bunge North America, Inc., ADM Export Co., Perdue Agribusiness, and The Scoular Company.

Figure 3.3 USA's Total Export of Soybean Oil-cakes to the Philippines, 2015 to 2019

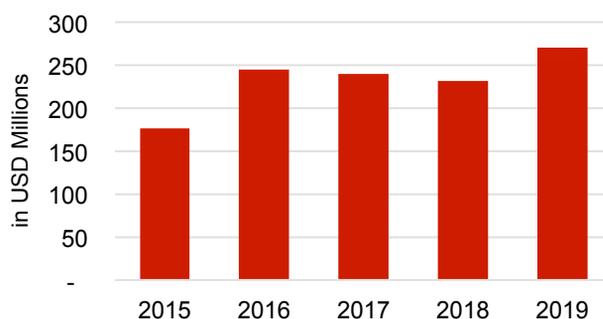


Source: Tradeline Philippines

Argentina

The Philippines imported a total of USD 271 million (PHP 14.04 billion) worth of soybean oil-cakes from Argentina in 2019. (Figure 3.4). Argentina's average annual exportation of soybean oil-cakes to the Philippines is USD 233 million (PHP 12.07 billion), with a five-year CAGR of 11.4 percent for the period ending 2019. Its top companies exporting to the Philippines are LDC Argentina S.A., Vicentin S.A.I.C., Molinos Agro S.A., Bunge Argentina S.A., and Oleaginosa Moreno Hnos. S.A.

Figure 3.4 Argentina's Total Export of Soybean Oil-cakes to the Philippines, 2015 to 2019



Source: Tradeline Philippines

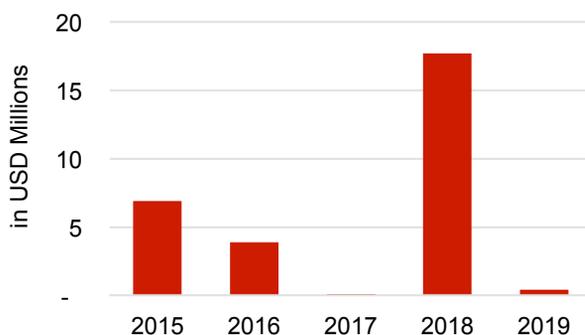


Import Trend Analysis

Brazil

For the five-year period ending 2019, Brazil exported a total of USD 29.01 million (PHP 1.50 billion) worth of soybean oil-cake products (HS Code 2304) to the Philippines. Importation from Brazil peaked in 2018 totaling USD 17.73 million (PHP 933.69 million). However, in 2017 and 2019, Brazil's had minimal exportations of soybean oil-cake products amounting to USD 0.08 million (PHP 4.03 million) and USD 0.39 million (PHP 20.20 million), respectively.

Figure 3.5 Brazil's Total Export of Soybean Oil-cakes to the Philippines, 2015 to 2019



Source: Tradeline Philippines

Below is a list of the export companies in Brazil and the corresponding Philippine companies to whom they supplied soybean oil-cake for the period 2016 to 2019:

Table 3.3 Soybean Oil-cake Exporters in Brazil and the Respective Importers, 2016 to 2019

HS Code	Brazilian Exporting Company	Philippine Company
2304.00.10	Solae Do Brasil Industria E Comercio de Alimentos	Frabelle Corporation
2304.00.90	CJ Selecta S.A.	Grobest Feeds Philippines Inc.
	Cargill Agricola S.A.	San Miguel Foods Inc.
	COFCO International Grains Ltd.	Thick and Thin Agri-Products Inc.
	Concordia Agritrading Pte. Ltd.	Julu Enterprises Inc.
	Cooperativa Agroindustrial Dos Produtores Rurais Do Sudoeste Goiano	San Miguel Foods Inc.
	Noble Brazil S.A.	Charoen Pokphand Foods Phils. Corp. and Grobest Feeds Philippines Inc.
	Sementes Selecta S.A.	Philchema Inc.

Source: Bureau of Import Services



Import Trend Analysis

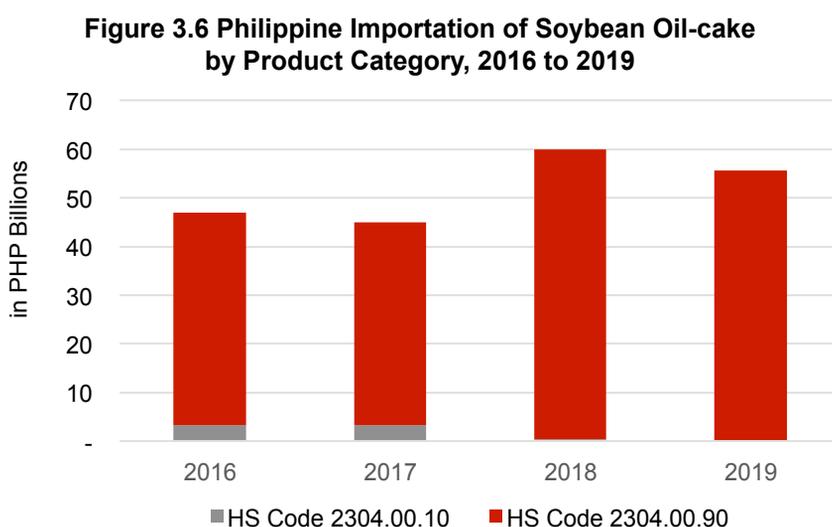
Comparison of Soybean Meal Quality

It is to be noted that while some research materials use soybean meal to refer also to soybean oil-cake, attributing the difference in labels to the method of soybean oil extraction, this section makes specific reference to soybean meal.

The quality of soybeans and soybean meals are not the same across countries due to differing environmental conditions and varying agricultural practices and soybean meal preparation. In an experiment performed by Thakur and Hurbugh⁵ - a research scientist and professor, respectively, from the Department of Agricultural and Biosystems Engineering of Iowa State University, to compare the quality of soybeans and soybean meals of different countries, the conclusion then was that the USA's soybean meal consistently had the highest content of five essential amino acids coupled with higher digestibility, while Brazil's soybean meal had higher protein content over the USA and Argentina. Animal growers' preferences largely dictated the sourcing of the feed ingredient. More recent publications on this subject were not immediately available.

Philippine Importers of Soybean Oil-cake

The analysis performed on the Bureau of Import Services' raw dataset on the importation of soybean oil-cake showed that of the total Philippine importation of soybean oil-cake (HS Code 23.04) for the period 2016 to 2019, approximately 96.6 percent was categorized under soybean meals (HS Code 2304.00.90) while 3.4 percent was attributable to defatted soybean flour for human consumption (HS Code 2304.00.10). The share of soybean oil-cakes and soybean flour in the total importation is presented in Figure 3.6.



Source: Bureau of Import Services

⁵Thakur and Hurbugh published the results of their experiment in 2007.



Import Trend Analysis

The following companies were listed to be the top 10 importers of soybean meals under HS Code 2304.00.90 for the period 2016 to 2019, along with the total import value (Table 3.4).

Table 3.4 Top 10 Importers of Soybean Meals (HS Code 2304.00.90), 2016 to 2019

Importer	Import Value (in PHP)	Import Value (in USD)
San Miguel Foods Inc.	35,086,035,329	694,275,428
Simon Agriventures Corporation	22,076,022,025	435,903,645
Cargill Philippines Inc.	19,555,583,373	382,532,935
La Filipina Uy Gongco Corp.	16,611,219,197	325,569,846
Philippine Super Feed Corp.	16,490,695,563	324,567,246
Great Harvest Enterprises Inc.	14,137,502,454	279,108,247
Bounty Fresh Group Of Companies	11,706,037,470	230,691,858
Pilmico Foods Corporation	8,914,787,122	174,290,233
UNAHCO, Inc.	7,814,461,543	153,889,303
General Milling Corporation	5,803,877,972	115,735,617

Source: Bureau of Import Services

The following Philippine companies were listed to be the top 10 importers of defatted soybean flour under HS Code 2304.00.10 for the period 2016 to 2019, along with the total import value (Table 3.5).

Table 3.5 Top 10 Importers of Defatted Soybean Flour (HS Code 2304.00.10), 2016 to 2019

Importer	Import Value (in PHP)	Import Value (in USD)
La Filipina Uy Gongco Corp.	6,228,341,650	126,968,957
UNAHCO Inc.	105,757,937	2,246,867
MCR Agri-Venture Corporation	103,620,998	2,178,788
Thick & Thin Agri - Products Inc.	93,467,481	1,727,616
Bounty Fresh Group Of Companies	93,056,735	1,984,617
Easy Bio Philippines Inc.	58,217,810	1,076,075
Foremost Farms Inc.	58,217,810	1,076,075
Vast Agro Solutions Incorporated	46,574,248	860,860
Hoc Po Feeds Corporation	42,229,755	852,452
Rizal Poultry And Livestock Association Inc.	34,930,686	645,645

Source: Bureau of Import Services



Import Trend Analysis

The Philippine government initiatives to support and expand the agriculture sector give rise to an increased demand for livestock and poultry products. The continued growth of the population, expansion of the Philippine economy, and improvement in per capita income of the Filipinos are expected to further increase the demand for food, which in turn increases the demand for animal feeds in the country.

The strategic position and importance of the animal feed industry as a link between the raw material feed suppliers and the livestock and poultry sector will provide a number of business opportunities for soybean oil-cake manufacturers.

Among the challenges in the industry that may affect the demand for imported soybean oil-cake in the country are the following:

1. The shortage of cheap animal feed raw materials such as corn, fish meal, and soybean meal, which is brought about by extreme weather events in the country, low farm mechanization, poor pre- and post-production handling, insufficient storage facilities, and low productivity has been affecting the production of feed millers and causing a gap between the demand for and supply of animal feeds.
2. The uneven distribution of feed millers and feed ingredient suppliers in the country wherein most establishments are concentrated in Luzon slows down the access to feed inputs and animal feeds, impacting in turn the supply chain, from the procurement of raw materials to the distribution and marketing of finished feed products, and consequently, increasing costs. The Philippine Development Plan (PDP) 2017 to 2022 reports that efforts will be undertaken by the government to address issues of accessibility and connectivity.
3. The limited access to financing causes some farmers to use animal feeds with inadequate nutritional contents. According to the chief of the DA's Disease Monitoring and Surveillance Unit, Dr. Armie Capuyan, food scrap feeding is a common practice among backyard hog raisers since this is considered a cost-efficient practice. However, this practice can also trigger the spread of animal diseases, especially if the food scraps are contaminated to begin with. Under the Loan Easy Access Program of the Agricultural Credit Policy Council (ACPC), the credit agency of the Department of Agriculture and Fisheries, farmers can avail a loan of up to PHP 50,000 (USD 965) with an annual interest of only six percent to finance their activities.
4. The occurrence of animal diseases like African swine fever and avian flu causes death of exposed farm animals. In 2017 and 2019, the ACPC granted loans to some farmers whose farms were affected by the disease outbreaks. These farmers were expected to use the money to recover from the losses of the outbreak and to start a new livelihood or restart their livestock and poultry raising business by buying the necessary inputs.

REGULATORY ENVIRONMENT

4

SECTION

The Department of Agriculture (DA) is the government agency responsible for the promotion of the development of domestic and multinational companies in the Philippine agriculture sector by providing policy framework, public investments, and support services. The department envisions to have a food-secure economy with striving farmers and fishermen by increasing agricultural productivity and profitability, and to have sustainable, efficient, and environment-friendly technologies and practices.

The Philippine Bureau of Plant Industry, the Bureau of Fisheries and Aquatic Resources, and the Bureau of Animal Industry (BAI) are under the DA. These are government agencies responsible for the development, improvement, and management of plant products, crops, fisheries and aquatic resources, and animal products. The BAI is authorized to recommend standards for quality in the manufacture, importation, advertising, distribution, and sale of livestock, poultry products, dairy products, animal feeds, and veterinary supplies in the country.

The Philippine Council for Agriculture, Aquatic and Natural Resources Research and Development (PCAARRD) is one of the sectoral councils under the Department of Science and Technology (DOST). PCAARRD is an organization that supports and manages a network of government institutions involved in agricultural and environmental research and development.

The Philippine Food and Drug Administration (FDA), under the Department of Health, is the government authority responsible for the licensing, monitoring, and regulating of food, food ingredients, cosmetics, pharmaceutical and medical devices in the Philippines. FDA is mandated to ensure the safety, efficacy, or quality of these products in order to protect and promote public health.



Regulatory Environment

Government Regulations

The Philippine Development Plan (PDP) 2017 to 2022 states that the Philippine Government recognizes the role and importance of the agriculture sector in the economy. The government plans to increase its efforts in expanding existing opportunities and to promote a more inclusive development with the help of responsible government agencies by giving small farmers and fishermen more access to existing opportunities in the industry as well as by encouraging the existing agriculture-based companies to increase their production and to go beyond producing raw materials, and by developing and assisting new agriculture-based enterprises.

The following legislations, published in the Official Gazette of the Republic of the Philippines, address different factors that contribute to the realization of the government's objectives relevant to the agriculture sector as indicated in the published PDP 2017 to 2022.

RA 1556: Livestock and Poultry Feeds Act of 1956

The law regulates and controls the manufacturing, importation, marketing, and sale of livestock and poultry feeds and feed ingredients. RA 1556 stipulates that any individual, company, or association must be registered with the BAI before engaging business in manufacturing, importation, sale, and distribution of feeds and feed ingredients.

In 2017, House Bill (HB) 3355 of the 17th Congress was passed to amend RA 1556. Entitled "Animal Feeds Act of 2016", HB 3355 aims to update definition of terms and policies to promote and strengthen the animal feed industry. However, the house bill has yet to be approved.

RA 8178: Agricultural Tariffication Act of 1996

The law adopts the use of tariffs in replacement of quantitative restrictions to protect domestic producers of agricultural products, except for rice. RA 8435 stipulates the Minimum Access Volume (MAV) which is the volume of specific agricultural products that can be imported with a lower tariff as committed by the Philippines under the Uruguay Round Final Act. In case of shortages or abnormal price spikes, the President may propose to Congress revisions or adjustments of the MAV.

This act was initially amended by RA 9496 in 2007 and was further amended by RA 10848 in 2015 wherein an Agricultural Competitiveness Enhancement Fund would be set up out of the duties collected from the importation of agricultural products. This fund would be used and set aside up to the year 2022 for the protection of farmers against unfair trade practices and for the increased productivity of farmers by providing the necessary support services such as irrigations, credit, research and development, and retraining.



Regulatory Environment

Government Regulations

RA 8435: Agricultural and Fisheries Modernization Act of 1997

The law aims to prescribe measures in the modernization of the agriculture and fisheries sectors by providing financial and other support services to enhance profitability and to prepare the sectors for globalization. RA 8435 intends to transform these sectors from resource-based to technology-based industries. This law also promotes efficient and sustainable utilization of the country's resources by establishing equitable access to assets, income, basic and support services, and infrastructure.

RA 8800: Safeguard Measures Act

The law is intended to promote the competitiveness of domestic industries and producers by providing safeguard measures from increased imports which may cause serious injury to the local players in the country. Upon positive determination by the Tariff Commission of the link between the increased imports under consideration and serious injury or threat to the domestic industry, the commission shall recommend, in the case of agricultural products, to the Secretary of Department of Agriculture, an appropriate measure such as an increase in any duty on the imported product, a decrease in MAV, or an imposition of quantitative restriction on the importation of the product.

RA 10611: Food Safety Act of 2013

RA 10611 was enacted as a law in order to strengthen the food safety regulatory system of the country by establishing policies and programs to address food safety hazards, strengthen the scientific basis of regulatory standards, and enhance the capability of the country's stakeholders in ensuring food safety.

AO 13 Series of 2018: Removing Non-Tariff Barriers and Streamlining Administrative Procedures on the Importation of Agricultural Products

This administrative order aims to streamline procedures and requirements for the accreditation of importers and minimize the processing time of import applications. Further, the administrative order mandates concerned government agencies to facilitate importation of specific agricultural products beyond the MAV and to remove or reduce corresponding fees to ensure adequate supply of those products in the domestic market at more affordable prices.



Regulatory Environment

Government Regulations

According to the acting Executive Director of the DOST- PCAARRD, Reynaldo V. Eborá, some factors that contribute to the high dependency of the country on importation of soybean and soybean products are the relatively high cost of domestically produced soybean and the small scale of production of soybean in the Philippines.

A soybean research and development program was launched in 2017 by the DOST- PCAARRD, together with other agencies namely, University of the Philippines Los Baños, University of the Philippines Mindanao, Central Luzon State University and DA, which aims to increase the income of farmers and bring about a more sustainable farming by improving production procedures and lowering post-harvest losses through soybean integration in the crops system.

The program involves the following projects:

1. Analysis of Supply Chain and Competitiveness, Productivity and Technical Efficiency of Soybean as Food
2. Soybean for Higher Income and Enhanced Soil Health under Different Cropping Systems
3. Enhancing the Sustainability of Informal Soybean Seed Sector
4. Soybean Variety Development for Large Seed Size, Higher Yields and Enhanced Functional Properties for Better Nutrition

The implementation of these projects has yielded results in a short period of time. The program was able to determine key customers, the top consumers and traders of soybean products that are into processing of soybean and marketing of soybean-based products in Metro Manila, Cebu City, and Davao City. The program identified challenges farmers face such as lack of quality seeds and irrigated areas, and the occurrence of natural disasters and pests. Further, research toward development of soybean hybrids with improved characteristics and properties is still ongoing.

According to the Organization for Economic Cooperation and Development (2017), over the past decades, the agricultural policies and initiatives of the Philippines have targeted food security and poverty alleviation by guaranteeing a stable supply of food at affordable prices. In fact, food self-sufficiency has been the major policy goal of the government for many years. However, the country's agricultural policies are designed and implemented by a complex system of institutions which result in lack of coordination between the DA and local government units (LGU), lack of incentives to spend on trained and qualified personnel, and weak linkage to the research and development system.



Regulatory Environment

Product Registration and Importation

All food and agricultural products for importation are required to comply with the country's food health and phytosanitary laws. Furthermore, agricultural products to be imported including plant products are required to undergo verification procedures to ensure that the products are free from any pest or sickness and are fit for the importers' intended use.

The authorities will inspect the goods and relevant import documentation to check for compliance and decide whether the goods may or may not enter the country. In cases of non-compliance, the goods may be required to be treated before being released or they may be rejected and ordered destroyed or disposed of outside the Philippines. It is important that importers ensure that the products comply with the country's laws and regulatory requirements before the goods are shipped to the Philippines.

The following license and certificate must be obtained prior to the importation of soybean flour for human consumption.

- FDA License to Operate (LTO) - is a license issued by the FDA that allows a business to be an importer, distributor, wholesaler, or manufacturer of products. This is also one of the requirements to get a certificate of product registration. (See Annex A)
- FDA Certificate of Product Registration (CPR) - confirms that the product of a business has been approved and registered in the Philippines by the FDA.

On the other hand, the certificates and clearance listed below must be secured prior to the importation of soybean oil-cake/meal for agricultural use (e.g., raw material for animal feeds).

- BAI Certificate of Registration for Animal Feed Establishment - a document issued to businesses concerned with animal feeds such as importers, manufacturers, and traders upon approval of the application for registration with the BAI. (See Annex B)
- BAI Certificate of Feed Product Registration (CFPR) - a certificate that verifies that the feed or feed ingredient imported, sold, or traded has been tested, approved, and registered with the BAI. (See Annex C)
- BAI SPS Import Clearance - certifies that the feed or feed ingredients are free from pest and diseases, and are safe to be imported into the country. (See Annex D)

Based on the Administrative Order No. 29 Series of 2014, FDA-licensed food manufacturers shall be allowed to import raw materials or finished products as ingredients or additives in the production of their registered food products.

The process and requirements for product importation are shown on Annex E.

INDUSTRY OPPORTUNITIES AND SELECTED MARKET PLAYERS

5

SECTION

The commercial production of animal feeds for sale or direct consumption, together with the increasing demand for livestock and poultry products, drives the demand for feed ingredients like corn meal, soybean meal or soybean oil-cake.

Given the scarce supply of domestically produced soybean in the country, subject to compliance with regulatory requirements, more imports from foreign companies directly or indirectly through local distributors, and to commercial and integrated feed millers would address the gap between domestic supply and consumption of soybean oil-cake.

Outside of soybean meals or soybean oil-cake for animal consumption, there are also opportunities to develop a market for other soybean-based products.



Industry Opportunities and Selected Market Players

With the increasing demand for agricultural products and increasing health awareness in the Philippines, another business opportunity for new entrants in the industry, aside from trading soybean oil-cake for animal feed production, is the trade of other soybean-based products.

Supply other soybean-based products to the Philippine market

The Filipinos are becoming more health conscious based on their food and beverage choices (Deocareza, D., 2017). The increasing disposable income together with the increasing health awareness of the Filipinos would drive the demand for healthier food alternatives, such as soy milk and soybean curd. The rise of “veganism” contributes to the popularity of soybean-based products as a substitute for meat.

Soy-based beverages in the Philippines are mainly imported from Hong Kong. It is forecasted that the demand for soybeans for human consumption will increase from 25,000 MT to 45,000 MT in 2020. Based on an article published in Business Mirror by Arcalas, J.Y (2019), Sinner Bros. & Bresnahan (SB&B), an international agri-exporter of food grade soybeans to the global market, expects to increase its exports of soybean products to the Philippines in the next five years due to the anticipated growth in the economy of the country. The majority of SB&B’s exports to the Philippines are used in the production of soymilk and tofu of a local manufacturer.

The following pages present a brief description of five of the key players earlier identified in the animal feed and/or livestock and poultry production industry. Together, these companies accounted for at least 50 percent of the total value of Philippine soybean oil-cake imports.



Industry Opportunities and Selected Market Players

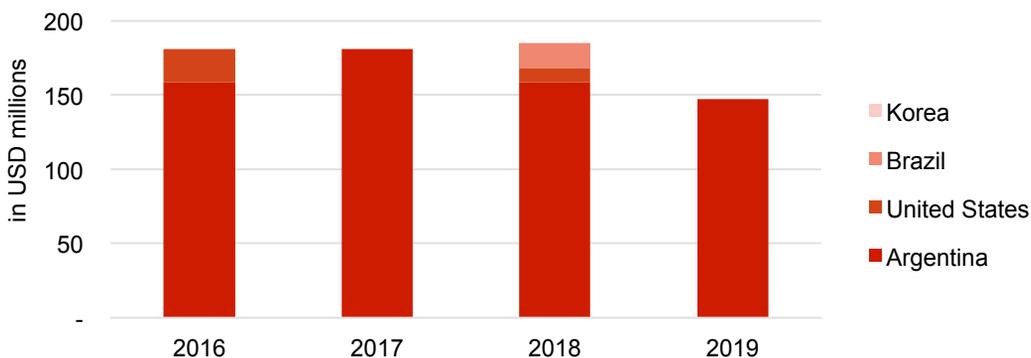
San Miguel Foods, Inc.

San Miguel Foods, Inc. (SMFI) was founded in 1991. SMFI operates the following businesses:

- Feeds business – manufactures and sells feeds commercially under the brand name B-meg as well as supplies the feed requirement of their Poultry and Fresh Meat business.
- Poultry and Fresh Meat business – engages in integrated poultry operations which include broiler breeding, hatching, growing, and processing using company-owned and contracted facilities with its contract growers. It also manages fully-integrated operations for pork and beef, and distributes and sells meat products in SMFI's meat shops.
- Franchising business – engages in franchising operations of its retail concepts.
- Integrated Sales business – provides logistics and selling services in the modern and general trade, and wet market customers.
- Food Solutions business – handles the foodservice business and caters to fast food chains, hotels, restaurants, convenience stores and other institutional accounts for their processed meats, poultry, and dairy as well as provides food recipes and menus.

The soybean oil-cake import trend of SMFI from 2016 to 2019 is presented in Figure 5.1. During the four-year period 2016-2019, SMFI's total importation of soybean oil-cake under HS Code 2304.00.90 amounted to USD 694 million. Of the total amount, 93 percent was sourced from Argentina (USD 645 million), followed by the USA and Brazil with USD 32 million (four percent) and USD 17 million (three percent), respectively.

Figure 5.1 SMFI's Importation of Soybean Oil-cake by Source Country, 2016 to 2019



Source: Bureau of Import Services



Industry Opportunities and Selected Market Players

SMFI's suppliers of soybean oil-cakes from 2016 to 2019 are summarized in Figure 5.2.

Figure 5.2 SMFI's Import Partners and Country Origin, 2016-2019

Argentina	United States
<ul style="list-style-type: none"> • Aceitera General Deheza S.A. • Agricultores Federados Argentinos • Bunge Argentina S.A. • Cargill Sociedad Anonima Comer • COFCO International Argentina S.A. • Compania Argentina de Granos • LDC Argentina S.A. • Molinos Agro S.A. • Nidera Sociedad Anonima • Oleaginosa Moreno Hnos • Vicentin SAIC • YPF Sociedad Anonima 	<ul style="list-style-type: none"> • AG Processing Inc. • Bunge Agribusiness Singapore Pte. • CHS Inc. • Toyota Tsusho America Inc.
	Brazil
	<ul style="list-style-type: none"> • Cargill Agricola S.A. • Cooperativa Agroindustrial Dos Produtores Rurais Do Sudoeste Goiano
	Korea
	<ul style="list-style-type: none"> • CJ CheilJedang Corporation

Source: Bureau of Import Services

The following table summarizes SMFI's top 10 suppliers and the respective countries of origin for the period 2016 to 2019.

Table 5.1 Top 10 Suppliers of SMFI, 2016 to 2019

Company	Country Origin	Total Value in USD (2016-2019)
LDC Argentina S.A.	Argentina	291,290,277
Aceitera General Deheza S.A.	Argentina	81,122,713
Vicentin SAIC	Argentina	72,990,670
Bunge Argentina S.A.	Argentina	53,111,565
Oleaginosa Moreno Hnos	Argentina	34,939,646
Molinos Agro S.A.	Argentina	32,665,118
YPF Sociedad Anonima	Argentina	24,635,768
Nidera Sociedad Anonima	Argentina	21,872,507
Toyota Tsusho America Inc.	United States	19,055,204
Cargill Agricola S.A.	Brazil	14,863,875

Source: Bureau of Import Services



Industry Opportunities and Selected Market Players

Cargill Philippines

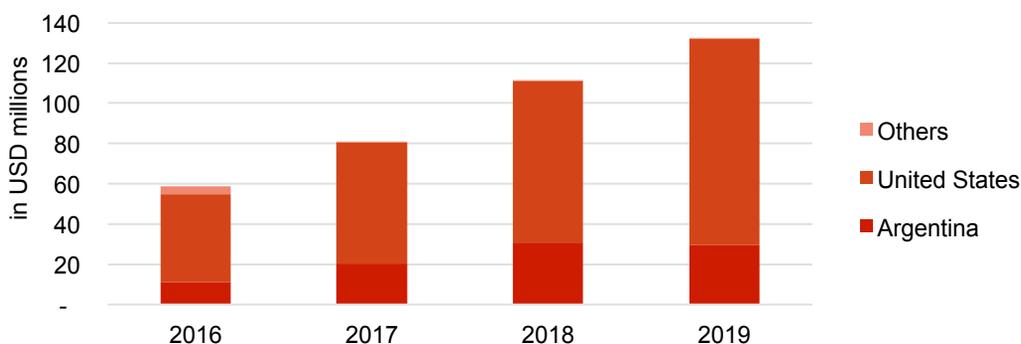
The first Cargill office in Asia, Cargill Philippines was incorporated in 1947. The company's business is divided into the following:

- Animal Nutrition – manufactures animal feeds for swine, poultry and aquatic animals. Cargill Philippines has four feed mills located in Villasis, Baliuag, Pulilan, and Villanueva.
- Poultry Products – in partnership with Jollibee Foods Corporation, which is one of the biggest fast food chains in the Philippines, Cargill Philippines formed a joint venture poultry processing unit called Cargill Joy Poultry Meats Production. The facility is located in Santo Tomas, Batangas.
- Grain and Oilseeds – operates a copra crushing plant to produce crude coconut oil and copra meal, which can be used in animal feed production.
- Food and Beverage Ingredients – operates a production plant in Canlubang, Laguna that manufactures refined carrageenan for starches and sweeteners, and texturizing ingredients.

Cargill Philippines has over 950 employees in the country.

Figure 5.3 presents the soybean oil-cake import trend of Cargill Philippines from 2016 to 2019. During the four-year period 2016-2019, the company's total importation of soybean oil-cake under HS Code 2304.00.90 amounted to USD 383 million. Of the total amount, 75 percent was sourced from the USA (USD 287 million) and from Argentina with USD 287 million or 24 percent.

Figure 5.3 Cargill Philippines's Importation of Soybean Oil-cake by Source Country, 2016 to 2019



Source: Bureau of Import Services



Industry Opportunities and Selected Market Players

The following table summarizes Cargill Philippines' top 10 suppliers and the respective countries of origin for the period 2016 to 2019.

Table 5.2 Top 10 Suppliers of Cargill Philippines, 2016 to 2019

Company	Country Origin	Total Value in USD (2016-2019)
AG Processing Inc.	United States	104,098,801
Bunge Limited	Argentina, United States	84,260,212
Cargill Inc.	United States, Malaysia, Viet Nam, Argentina	52,936,631
ADM Export Co.	United States	21,709,335
Molinos Agro S.A	Argentina	19,261,195
Vicentin SAIC	Argentina	17,150,810
ACDI/VOCA	United States	11,553,341
Perdue Agribusiness	United States	10,274,832
The Scoular Company	United States	8,685,169
COFCO International Argentina S.A.	Argentina	7,155,881

Source: Bureau of Import Services

La Filipina Uy Gongco Corp.

Incorporated in 1971, La Filipina Uy Gongco Corp. (LFUGC) is a private company engaged in the business of agriculture, livestock, and food. LFUGC owns one of the largest flour mills in the country and produces hard wheat flour, soft wheat flour, cake flour, and all-purpose flour. The company imports and distributes fertilizers and other agricultural solutions such as herbicides, insecticides, fungicides, and molluscicides. LFUGC, through its subsidiary Philippine Foremost Milling Corporation, manufactures animal feeds under the brand name Excel.

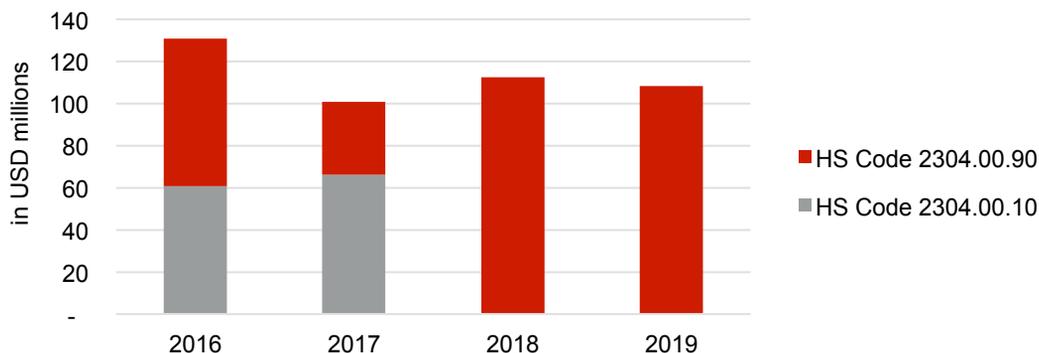
LFUGC has expanded its business into meat processing and pasta manufacturing under the brand La Filipina. It operates hog and sugar cane farms, sugar mill, corn mill, hotel, bank, shopping mall, and real estate development business.



Industry Opportunities and Selected Market Players

The LFUGC's import trend from 2016 to 2019 and the share of each product category are presented in Figure 5.4. During the four-year period 2016-2019, the company's total importation of soybean oil-cake amounted to USD 453 million. In addition, LFUGC imported defatted soybean flour in 2016 and 2017 totaling USD 127 million.

Figure 5.4 LFUGC's Importation of Soybean Oil-cake, 2016 to 2019



Source: Bureau of Import Services

For the period 2016 to 2019, all suppliers of LFUGC of soybean oil-cake were from the USA (Table 5.3).

Table 5.3 Top Suppliers of LFUGC, 2016 to 2019

Company	Total Value in USD (2016-2019)
AG Processing Inc.	357,256,413
Bunge North America, Inc.	48,309,458
Archer Daniels Midland Company	39,339,523
Perdue Agribusiness	7,633,409

Source: Bureau of Import Services



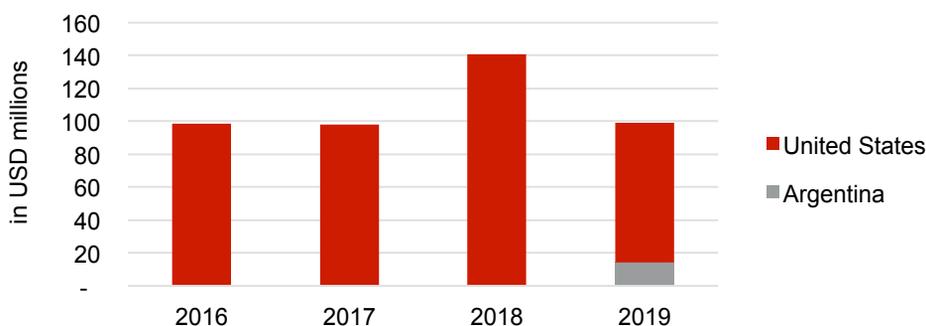
Industry Opportunities and Selected Market Players

Simon Agriventures Corporation

Simon Agriventures Corporation (SAC) is a family-owned company which was established in 1961. It is engaged in animal feed distribution of both macro (grains and legumes) and micro (additives and artificial supplements) ingredients. The company's business portfolio includes distribution of livestock medicine and vitamins, pet food distribution (Pedigree, Whiskas and Cesar), animal feed premix manufacturing, veterinary medicine manufacturing, and poultry farming.

The soybean oil-cake import trend of SAC from 2016 to 2019 is presented in Figure 5.5. During the four-year period 2016-2019, the company's total importation of soybean oil-cake under HS Code 2304.00.9 amounted to USD 436 million, of which 97 percent were sourced from the USA (USD 422 million).

Figure 5.5 SAC's Importation of Soybean Oil-cake, 2016 to 2019



Source: Bureau of Import Services

The following table summarizes SAC's top suppliers and the respective countries of origin for the period 2016 to 2019.

Table 5.4 Top Suppliers of SAC, 2016 to 2019

Company	Country Origin	Total Value in USD (2016-2019)
AG Processing Inc.	United States	332,722,814
Bunge North America, Inc	United States	81,614,384
LDC Argentina S.A.	Argentina	14,089,135
ADM Export Co.	United States	3,563,973
Archer Daniels Midland Company	United States	2,129,695
The Scoular Company	United States	1,692,150
Calgrain Corporation	United States	58,229
Mills Bros International Inc.	United States	33,265

Source: Bureau of Import Services



Industry Opportunities and Selected Market Players

Bounty Fresh Group of Companies

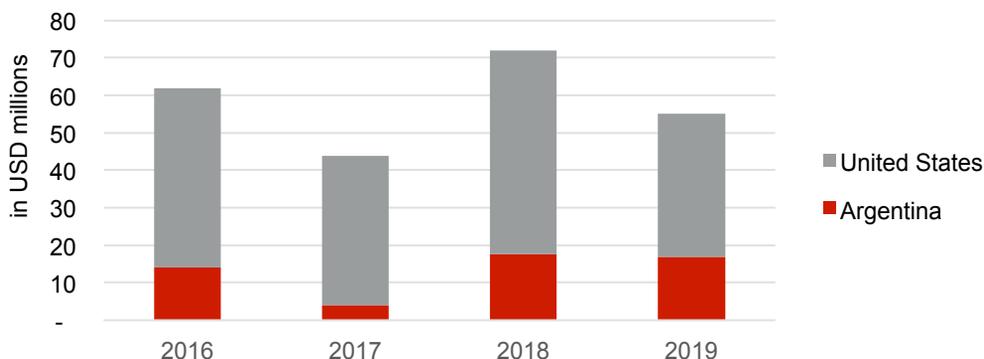
Bounty Fresh Group of Companies (Bounty Fresh) is one of the leading broiler integrators in the country. Under the brand name Bounty Fresh Chicken, it supplies dressed chickens nationwide through hotels, restaurants, institutional food companies, and supermarkets.

To reach the various regions in the Philippines, Bounty Fresh ventured with several business partners for contract growing, contract breeding, toll hatching, toll feed milling, and toll dressing. It also offers technical assistance to its business partners in terms of training and transfer of technology to maintain product quality and consistency.

In 2008, Bounty Fresh began operating its own chicken rotisserie store, which sells oven roasted chicken variants, processed meat products, roasted pork belly, dressed chicken, and other products of the company. It currently has over 1,000 outlets nationwide.

Figure 5.6 presents the soybean oil-cake import trend of Bounty Fresh from 2016 to 2019. During the four-year period 2016-2019, the company's total importation of soybean oil-cake amounted to USD 233 million, of which 99 percent were categorized under HS Code 2304.00.90. Of the total amount, 77 percent was sourced from the USA (USD 180 million) while 23 percent was sourced from Argentina (USD 53 million).

Figure 5.6 Bounty Fresh's Importation of Soybean Oil-cake, 2016 to 2019



Source: Bureau of Import Services



Industry Opportunities and Selected Market Players

The following table summarizes Bounty Fresh's top 10 suppliers and the respective countries of origin for the period 2016 to 2019.

Table 5.5 Top 10 Suppliers of Bounty Fresh, 2016 to 2019

Company	Country Origin	Total Value in USD (2016-2019)
AG Processing Inc.	United States	85,333,790
Bunge Inc.	Argentina, United States	73,938,304
ADM Export Co.	United States	20,429,357
Vicentin SAIC	Argentina	11,324,229
COFCO International Argentina S.A.	Argentina	7,832,694
Archer Daniels Midland Company	United States	5,358,660
Molinos Agro S.A.	Argentina	5,351,990
Aceitera General Deheza S.A.	Argentina	4,746,590
Nidera Sociedad Anonima	Argentina	4,518,151
Cargill Inc.	Argentina	4,432,194

Source: Bureau of Import Services

INDUSTRY ASSOCIATIONS AND CONVENTIONS

6

SECTION

The associations and conventions listed and discussed in this section play a collaborative role in the animal feed industry and livestock and poultry subsector.



Industry Associations and Conventions

Industry Associations

Philippine Association of Feed Millers Inc. (PAFMI)

PAFMI is a non-stock, non-profit association of registered commercial feed millers in the country. Since 1951, the organization had helped in ensuring the production of affordable feeds for swine, poultry, and other livestock by establishing business relationships with the other sectors in the industry.



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PSEC Exchange Road, Ortigas, Pasig City



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pafmiphl@gmail.com

United Broiler Raisers Association (UBRA)

A non-stock, non-profit association of mainly small and medium scale poultry producers. Established in 2000, UBRA aims to promote and advance the Philippine broiler industry as well as to support and enhance the operations of its 48 members through active linkage with the Department of Agriculture and Department of Trade and Industry, and timely involvement in national livestock activities.



218 Phil. Science Building,
Diliman, Quezon City



8-930-9265



N/A

Pork Producers Federation of the Philippines (Propork)

Pork Producers Federation of the Philippines is the largest pork producers group in the Philippines. The association was organized to enhance opportunities for the growth, efficiency, equity and sustainability of its members, and the entire hog industry.



Reliance House No. 205 EDSA cor.
Rochester Street Greenhills, Mandaluyong



744-3500 / 726-3644



N/A



Industry Associations and Conventions

Conventions (as of March 2020)

Livestock Philippines 2020

The Livestock Philippines 2020, co-located with Feeds Expo Philippines 2020, is an annual international trade fair event for innovative equipment and technology for livestock. Since 2011, this event has developed a reputation as the Philippines' premier event for the livestock, feed milling, and meat industries. It is supported by the Philippine Department of Agriculture and brings together farmers, feed millers, pre-mixers, meat processors, slaughter houses, veterinarians, distributors, and retailers of the industry.

The Feeds Expo Philippines features animal feed ingredients, additives, supplements, and premixes. Further, the event also promotes feed quality control, manufacturing, and processing equipment.

This year's event is organized by Informa Markets and below are some of the key details:



Originally planned for May 28-30, 2020⁶;



World Trade Center Metro Manila
1300 Pasay Extension corner, Sen. Gil J. Puyat Ave., Pasay City



Admission is free but restricted to trade professional in the livestock industry.



Approximately 280 exhibitors
from over 30 countries



<https://www.livestockphilippines.com/>



8-551-7564



precious.deleon@informa.com

⁶Due to COVID-19, the convention has been postponed until further notice.



Industry Associations and Conventions

Conventions (as of March 2020)

The International Farmers Summit

The International Farmers Summit is a yearly event that gathers farmers, breeders, feed millers, meat processors, suppliers for feed ingredients, animal health and nutrition products, and farm and slaughter equipment to promote efficient animal production.

The event was organized by Philippine Veterinary Drug Foundation Inc. Below are some of the key details of the event that had transpired:



Last edition on February 12-14, 2020



SMX Convention Center Mall of Asia
Mall of Asia Complex, Seashell Lane, Pasay City



Free admission



Approximately 20,000 visitors
and 200 exhibitors



<http://internationalfarmerssummit.com/>



8-654-5523

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Annexes





Annex A: Product Registration

The following are the initial requirements for the application of a License to Operate (LTO).

- a) Accomplished Application Form with Declaration and Undertaking
- b) Proof of Business Name Registration
- c) Product List
- d) Location Map, Proof of Occupancy, and Floor Plan
- e) Proof of Payment

The step by step procedures in securing a LTO and a Certificate of Product Registration (CPR) are as follows:



1. **Download.** Download the application form from ww2.fda.gov.ph. The application form is used for both license and registration applications. The first issuance of LTO is valid for three years while renewed LTO has a validity of five years. A valid LTO is required to apply for a product registration;
2. **Fill-up.** The application form has six parts: 1) General Information, 2) Establishment Information, 3) Product Information, 4) Supporting Information, 5) Sources and Clients, and 6) Applicant Information;
3. **Email.** In the application form, the worksheet 'Email' composes the subject and body of the email that should be sent to pair@fda.gov.ph. There should be no attachment on the email, any attachment will lead to rejection of schedule request;
4. **Schedule.** Within two working days, a Document Tracking Log (DTL) is sent with a schedule for submission. The FDA will determine the schedule of applications according to the priority of the centers;
5. **Pay.** Fees are paid either at Land Bank branches or at the main FDA cashier. Once a DTL is received, payment can be made immediately. A copy of the DTL provided by FDA and a copy of the application form are required to process payment. Indicate in the application form the tracking number provided. The tracking number indicated in the DTL should be indicated in the proof of payment;
6. **Check.** Check if all requirements are in order. Acquire a checklist from the FDA website and have all the necessary documents ready. The petition or declaration form should be notarized. A softcopy of all requirements should be stored in a flash drive to facilitate transfer. Include a copy of the accomplished application form and a copy of the payment slip; and



Annex A: Product Registration

7. Submit. Application should only be filed on scheduled date. Hard copies will no longer be required at submission. Remember the RSN number of each application. Use the RSN to follow-up through pair@fda.gov.ph. Should the company fail to complete submission on the set date, queue for another schedule through pair@fda.gov.ph using the RSN.

Based on the Annex B of the Administrative Order No. 31 Series of 2012, the following fees shall apply.

FDA Fees for License to Operate

Type of Business	License Fee	Annual Fee
A. Food Manufacturer	PHP 75,000	PHP 15,000
B. Food Distributors		
1. Importer	PHP 30,000	PHP 7,000
2. Wholesaler	PHP 20,000	PHP 5,000
3. Exporter	PHP 15,000	PHP 3,000
4. Importer/Wholesaler	PHP 50,000	PHP 10,000
5. On-Line Seller	PHP 15,000	PHP 3,000

Variation	Major Variation Fee	Minor Variation Fee
LTO for Food Manufacturer	PHP 10,000	PHP 5,000
LTO for Food Distributor	PHP 10,000	PHP 5,000

FDA Fees for Certificate of Registration

Type of Business	Application Fee	Annual Fee
1. Food Additives		
Imported	PHP 3,000	PHP 700
Locally Manufactured	PHP 1,500	-
2. Raw Materials and Other Low Risk Food Products		
Imported	PHP 3,000	PHP 700
Locally Manufactured	PHP 1,500	-
3. Medium/High Risk Food Products		
Imported	PHP 5,000	PHP 1,000
Locally Manufactured	PHP 3,000	-
4. Food Supplement		
Imported	PHP 20,000	PHP 5,000
Locally Manufactured	PHP 10,000	-

Variations	Variation Fee
Amendment	PHP 2,500

Other Permits/Certification	Fee
1. Hazard Analysis Critical Control Point (HACCP) Certification	PHP 10,000 per product
2. Sangkap Pinoy Seal	PHP 8,000

Annex B: Issuance of Animal Feed Establishment Registration Certificate - Initial



Clients:	Non-Commercial/Commercial Mixed Feed/Feed Ingredient Manufacturer; Commercial Feed Trader/Toll Manufacturer; Importer/ Indentor/Exporter; Supplier/Dealer; Distributor/Repacker/Retailer
Regulatory Body/ Agency:	Bureau of Animal Industry (BAI)
Requirements:	See back of AFSD Form No. 1
Schedule of Availability of Service:	Monday to Friday 7:00 AM to 6:00 PM
Fees:	See back of AFSD Form No.1
Total/Maximum Duration of Process:	7 WD Except Saturday & Sunday

Step	Client Step	Agency Action
1	Get (AFVDBCD) RF FVDB-01 Application for LTO Animal Feed Establishment from the BAI website	Issue application forms
2	Submit filled-up application Form No. 1 together with supporting documents	<ol style="list-style-type: none"> Receive application form and check compliance to requirements Initial review and verification of documents, as to compliance with check list requirements and farm out Review and verification of documents
3	Client informed of lacking requirements	Incomplete application form returned back to client
4	Submission of application form with complete documentary requirements	<ol style="list-style-type: none"> Receive complete documentary requirements Review and evaluate the documentary requirements submitted Complete requirements submitted for inspection and evaluation of establishment Coordinate with NCMS for schedule of Inspection Ocular Inspection and Evaluation of Feed Plant, Warehouse & Office to check compliance with requirement
5	Get Billing Statement	If complied with inspection and evaluation requirements, issue Billing Statement
6	Get Order of Payment	Order of Payment Issued
7	Pay corresponding fee and get Official Receipt	Official Receipt issued
8	Present Official Receipt	<ol style="list-style-type: none"> Record and assign registry number Type/encode Registration Certificate Review of documents and recommendation Review of documents and signature of Division Chief is affixed for recommendation Processed application/certificates of registration are forwarded to the BAI-Director for signature and approval Approved Certificates/ Application are brought to the Records' Section for appropriate recording and for official stamp and seal. Returned to AFSD for release
9	Receives the approved Feed Establishment	Approved Certificates/ Application are returned to AFSD for release & mailing to Regional/Provincial AFVDAPCO

Annex C: Issuance of Certificate of Feed Product Registration (CFPR) - Initial



Clients:	Non-Commercial/Commercial Mixed Feed/Feed Ingredient Manufacturer; Commercial Feed Trader; Importer/Indentor/Exporter
Regulatory Body/ Agency:	Bureau of Animal Industry
Requirements:	See back of AFSD-CFPR Form No. 4
Schedule of Availability of Service:	Monday to Friday 7:00 AM to 6:00 PM
Fees:	See back of AFSD Form No. 4
Total/Maximum Duration of Process:	7 WD Except Saturday & Sunday
How to Avail of the Service:	Transact with AFSD AFRES or DA Regional Offices.

Step	Client Step	Agency Action
1	Get RF FVDB-04 Application for Feed Product Registration (CFPR) from the BAI website	Issue CFPR Form No. 4
2	Submit application form together with requirements	<ul style="list-style-type: none"> a. Review filled-up form and check requirements b. Initial, review and verification of documents, for compliance with requirements and farm out c. Review and verification of documents
3	Submits compliance for deficiencies	<ul style="list-style-type: none"> a. Initial evaluation of documents b. Preparation of Transmittal of product for laboratory analysis
4	Get Billing Statement	<ul style="list-style-type: none"> a. If complied with requirements prepare/ issue Billing Statement b. Release Billing Statement
5	Get Order of Payment	Issue Order of Payment slip
6	Pay fee	<ul style="list-style-type: none"> a. Issue Official Receipt b. Evaluation and approval of Results of Analysis, Tags/ Facsimile of label c. Present/Submit OR d. Record and assign Certificate of Feed Product (CFPR) number e. Indexing of payment, recording, assignment of Certificate of Feed Product Registration (CFPR) number and typing of CFPR Certificate f. Review of documents and Signature affixed for recommendation g. Review of documents and signature of Division Chief is affixed for recommendation h. Processed Application/Certificate of Product Registration is forwarded to the Director's Office for Approval. i. Approved Certificates/ Application are brought to the Records' Section for appropriate recording and for official stamp and seal. j. Returned to AFSD for release
7	Get Registration Certificate	Approved Registration Certificates are then released to clients



Annex D: Issuance of SPS Import Clearance

Clients:	Feeds/Vdap Importers/Indentors
Regulatory Body/ Agency:	Bureau of Animal Industry
Requirements:	Approved LTO, FEED Establishment Registration, Valid CPR, CFPR, Proforma Invoice, Letter of Authority (LOA) - Indentors.
Schedule of Availability of Service:	24/7
Fees:	P150
Total/Maximum Duration of Process:	2 Working Days
How to Avail of the Service:	Transact with Animal Feeds Standard Division or DA Regional offices

Step	Client Step	Agency Action
1	Submit the following documents to Intercommerce: Application Letter, List of Importable with AHTN codes in MS Excel Format and other requirements by Agency	<ol style="list-style-type: none"> Intercommerce creates Importers Profile in the DA Trade System and uploads list of Importable BAI Cashier receives Cash Advances and logs in the DA Trade System for Importers Advances BAI Commodity approver logs in the Trade System to approve or reject uploaded items
1.a	If denied, importer submits corrected importable for approval	Commodity approver validates the submitted corrected importable list.
2	Client can create their SPS Import Permit Clearance Application and sends to Intercommerce (Service Provider) with Approved List of Importable	<ol style="list-style-type: none"> Agency Reviewer check and verify the attached documents and information submitted by the Importer Agency Reviewer validates the SPS Import Clearance and attachments. If non-compliant, resend Compliance.
2.a	If denied, importer submits corrected attachments/compliances	<ol style="list-style-type: none"> Agency Reviewer validates the submitted corrected attachments/compliances Approved SPS Clearance is endorsed to Recommending Approver Agency Recommending Approver validates information and attached documents previously checked by the Reviewer
2.a.i	If denied, importer submits corrected attachments/compliances and Go back to Step 1 and 2.	<ol style="list-style-type: none"> Agency Reviewer check and verify the new application of the Importer Approved SPS Clearance is re-evaluated and endorsed to the Agency Director Agency Director receives and verify information endorsed by the Agency Recommending Approver
3	Importer can print Approved SPS Import Clearance	



Annex E: Product Importation

To register as an importer, the following procedures must be done:

1. Secure an Import Clearance Certificate (ICC) from the Bureau of Internal Revenue. The ICC is valid for three years;
2. Register with the Bureau of Customs (BOC) and setup an account with the Client Profile Registration System (CPRS). The Customs Client Profile Accreditation must be updated annually. The accreditation in the CPRS costs PHP 1,000 and typically takes 15 working days to process.

Based on the Customs Memorandum Order no. 31-2019 of the BOC, the following documents must be submitted for accreditation of importers:

- A. Duly notarized accomplished application form and signed by owner (for sole proprietorship), responsible officer (for corporation), chairman (for cooperative), and authorized partner (for partnership);
- B. Bureau of Customs Official Receipt (BCOR) evidencing payment of the processing fee of PHP 1,000;
- C. Corporate Secretary Certificate (for Corporation) / Affidavit (Sole Proprietorship) / Partnership Resolution (Partnership) / BOD resolution (Cooperative) designating its authorized signatories in the import entries;
- D. Two valid government issued IDs of applicant, president and responsible officers;
- E. NBI clearance of applicant (issued within three months prior to the application);
- F. Photocopy of DTI registration or SEC registration/Articles of Partnership and latest General information Sheet, or Cooperative Development Authority Registration and latest Cooperative Annual Progress Report, whichever is applicable;
- G. Personal profile of applicant, president and responsible officers;
- H. Company profile with pictures of office with proper and permanent signage and pictures of warehouse/storage area;
- I. Valid Mayor's Permit as certified by the Bureau of Permits and Licensing Office;
- J. Proof of financial capacity to import goods; and
- K. Endorsement from the District Collector, if applicable.